

Japan ... 15	Indonesia ... 2500	Portugal ... 85
Belgium ... 1180	Italy ... 1180	S. Korea ... 85
Canada ... 1180	Japan ... 1180	Spain ... 85
France ... 1180	Japan ... 1180	Switzerland ... 85
Germany ... 1180	Japan ... 1180	Taiwan ... 85
Greece ... 1180	Japan ... 1180	Thailand ... 85
Hong Kong ... 1180	Japan ... 1180	Turkey ... 85
India ... 1180	Japan ... 1180	U.S.A. ... 85
Malaysia ... 1180	Japan ... 1180	
Netherlands ... 1180	Japan ... 1180	
Philippines ... 1180	Japan ... 1180	
Singapore ... 1180	Japan ... 1180	
Taiwan ... 1180	Japan ... 1180	
Thailand ... 1180	Japan ... 1180	
Turkey ... 1180	Japan ... 1180	
U.S.A. ... 1180	Japan ... 1180	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Wednesday December 28 1983

No. 29,206

Six Euromarket deals
set to make
history, Pages 11, 12

NEWS SUMMARY

GENERAL

Pretoria troops push into Angola

South African troops have advanced up to 200km (125 miles) into southern Angola and clashed with Angolan and Cuban forces, according to South African Defence Force chief General Constand Viljoen.

Indications are that what was last week described as a limited offensive against the South-West Africa People's Organisation is now a big thrust on a wide front.

The South African case for the action is that an estimated 1,400 Swapo guerrillas have been planning to infiltrate northern Namibia during the rainy season, which began last month. Page 10

Top Soviet meeting

The Supreme Soviet meets in Moscow today for a two-day session on what ailing leader Yuri Andropov has implied will be ambitious growth targets and a drive to improve efficiency and productivity. He was to attend the preceding Communist Party Central Committee meeting. Page 16; Background, Page 2

Swedish blackout

An accidental explosion at an electricity station blocked out most of Sweden for 3½ hours, trapping underground trains and closing the Stockholm Stock Exchange early.

Ex-king appeals

Former King Zahir Shah of Afghanistan, exiled in Rome, appealed for all Afghan resistance groups to unite under his leadership, marking the fourth anniversary of the Soviet invasion. Internal dissent, Page 2

Reagan takes blame

President Ronald Reagan agreed that U.S. forces in Lebanon had been ill prepared to deal with terrorist attacks, and took full blame for the deaths of 241 marines killed in a truck-bomb explosion in October. Page 2

S. African rescue bids

At least four men died, 57 were injured, and 200 were taken after a rock fall at West Driefontein gold mine, near Johannesburg. Three days earlier, two men were killed at nearby Dooresfontein, also owned by Gold Fields of South Africa, where rescue workers were still searching for three missing.

Fake gold charges

Austrian and Swiss police arrested three Russian émigrés and charged them with peddling fake 100-crown gold pieces of the former Austro-Hungarian empire.

Pope visits Agca

Pope John Paul visited a Rome jail and spent 30 minutes talking with Mehmet Ali Agca, the Turk who shot him in 1981. As the Pope left, Agca knelt and kissed his hand.

Irish step up search

Ireland stepped up to nearly 1,000 the number of police and troops searching for the IRA gang that kidnapped Dublin businessman Don Tidey, having cut the squad to 200 over Christmas.

U.S. freeze eases

The big freeze in the U.S., which has caused more than 200 deaths, eased, but forecasters say it will soon return. Lake Erie icebreakers were out a month early. Florida growers were spared a third night of sub-zero temperatures and need to harvest frozen fruit. Earlier story, Page 2

Australia ahead

Australia took a 2-1 lead over Sweden in the best-of-five Davis Cup tennis final at Kooyong when Mark Edmondson and Paul McNamee beat Anders Jarryd and Hans Simonsson 6-4, 6-2.

BUSINESS

Flick may face \$163m penalties

WEST GERMANY'S Flick industrial group will almost certainly have to pay about DM 450m (\$163m) in back taxes after an Economics Ministry investigation. Page 10

● **GOLD:** On the last contract day, the New York Comex December spot price closed at \$380.70 (\$382). The Zurich close was \$377.5.

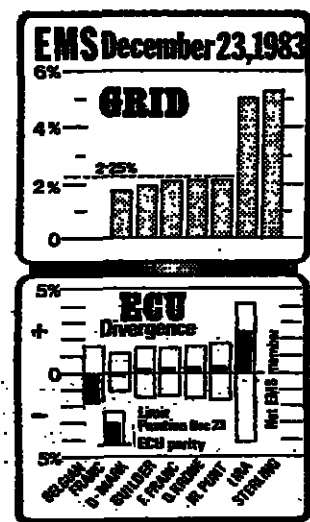
● **CURRENCIES:** London money market was closed. In New York, sterling closed at \$1.435 and the dollar at DM 2.7482, Ffr 6.42, Swfr 2.187 and Y233.7.

● **WALL STREET:** Dow Jones industrial average closed 13.21 up at 1,283.72. Full share prices, Pages 4-16. Report, Page 16

● **LONDON:** Exchange closed, holiday.

● **TOKYO:** Nikkei Dow index rose 37.37 to a record 8,883.84. Stock exchange index rose 4.27 to 728.74. Page 16

● **FRENCH:** Belgian, and Dutch bourses reached 1983 highs yesterday. Page 16



● **EUROPEAN Monetary System** trading slowed to a trickle last week before the Christmas break. Consequently, central banks did not intervene heavily in the foreign exchange market as the dollar failed to improve from the previous week's record levels.

The Belgian franc remained the weakest currency and was placed outside its divergence limit. However, the absence of any real volume enabled the Belgian central bank to remain on the sidelines as there was little downward pressure on the currency.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2½ per cent. The lower chart gives each currency's divergence from its 'central rate' against the European Currency Unit (ECU), itself a basket of European currencies.

● **SWISS** Finance Ministry is to revise the country's complex Swfr 5.5bn (\$2.5bn) subsidy system and its banking laws in 1984. Page 2

● **ROMANIA** is to reduce meat rations by 15 per cent and flour by 13 per cent because of lower production and the need to keep up exports. Page 2

● **YUGOSLAVIA** has introduced a six-month price freeze, but some service charges will go up.

● **ALBANIA** plans to increase production by 8.5 per cent in 1984.

● **SOUTH KOREA** has revised its economic strategy with a view to improving its balance of payments, forecast as a \$1.6bn deficit this year, to a \$400m surplus by 1986.

● **INDONESIA:** A coal deposit of an estimated 683m tonnes, worth some \$11.3bn, has been found by Korean experts in the Pasir field in Kalimantan.

● **ALGERIA** is to receive a \$128m World Bank loan to expand its telecommunications network.

BRITISH AND U.S. GROUPS DROP JOINT VENTURE

U.S. Steel unveils \$1.2bn plan to reshape operations

BY CARLA RAPOPORT IN LONDON AND REUTER IN PITTSBURGH

U.S. Steel last night announced a sweeping rationalisation of its steel operations. The U.S. group and British Steel Corporation also disclosed that they would not proceed with their joint venture that would have linked the Fairless works in Pennsylvania with the Ravenscraig works in Scotland.

The U.S. Steel plan, which will cost the world's largest steel group \$1.2bn before tax, involves heavy capacity cuts in its basic steelmaking operations.

U.S. Steel will close its South Works in Chicago and its special products facility at Johnstown, Pennsylvania. The Chicago closure means the cancellation of a plan to build a rail mill at South Works.

Mr David Roderick, U.S. Steel chairman, said in Pittsburgh that the plants were being closed because U.S. Steel could not be competitive in three product lines: bars, rods and wire products.

These products were the victims of subsidised foreign imports since the early 1970s and more recently the growth of non-integrated U.S. producers, or mini-mills, he said. U.S. Steel plans to build continu-

ous slab casters at Gary, Indiana, and Fairfield, Alabama. By 1986 U.S. Steel would have eight continuous casting plants capable of producing 8.2m short tons of steel annually.

Mr Roderick said that when the two casters were finished in 1986 U.S. Steel would be able to cast 55 per cent of its sheet products.

The steelmaking and flat rolled operation at the Fairfield, Alabama, works, idle for the past two years, will soon be restarted, bringing back about 3m tons of hot metal capacity and adding 1,900 jobs. Another 800 jobs are being created by a new pipe mill at Fairfield.

The shutdowns of the Chicago and Johnstown plants will affect about 3 per cent of the U.S. Steel employees now working. Closures are to be completed by April.

Wall St boosted by hopes of reduction in rates

By Terry Byland in New York and Gordon Cramb in London

WALL STREET returned from the Christmas break yesterday in a mood of optimism, stimulated by predictions from analysts at the banking and brokerage houses that U.S. interest rates might ease in the New Year.

The strong start there followed a day of good gains by stocks in many of the world's other financial centres where an extra post-Christmas holiday was not observed. Buying, particularly in the Dutch and Swiss markets, was unseasonably vigorous and cleared the path to new summits for bourse indices.

Part of the motive force, as on Wall Street, was provided by a \$2bn fall in the weekly M1 aggregate of U.S. money supply reported late last Friday.

The Tokyo market, however, had the prime impetus on its doorstep as investors there welcomed the cementing of the new Japanese coalition.

Hopes strengthened on Wall Street for an end-of-year rally in stocks as the federal funds rate, the key short-term indicator, dipped below 9 per cent for the first time in some weeks and the bond market started the session with gains in price of between an eighth and a quarter point.

A brisk pace was set in the stock market, where the Dow Jones industrial average closed 13.21 up at 1,283.72.

Most of the market leaders moved forward and there were minor recoveries among the utility and airline issues which suffered a selling bout towards the end of the pre-Christmas trading week.

The list of active stocks was headed once again by the old and new stocks of American Telephone and Telegraph, which will merge into the new single issue of AT&T on January 1 when the break-up of the Bell telephone system finally takes effect.

After see-sawing in early December because of fears that the resurgent economy might cause the Federal Reserve Board to tighten credit to prevent an overheating, stock market sentiment was swung towards a more optimistic view by last week's "flash" forecast from the U.S. Commerce Department for a gross national product, projecting a lower growth than the bond market had.

While market economists remain cautious over interest rates, they are now more confident that the Fed will not find it necessary to raise rates in the near future.

Continued on Page 10
Market reports, Page 16

Peugeot may alter Talbot's legal status

BY PAUL BETTS IN PARIS

THE PEUGEOT group, France's financially troubled car maker, is considering altering the legal status of its French Talbot subsidiary.

The move is a protective measure to avoid forcing the private car group as a whole to file eventually for bankruptcy should the current labour strife at Talbot's large plant at Poissy, outside Paris, remain unresolved.

Peugeot said last night that its central works committee would meet on January 5 to consider the legal modifications. It indicated that the proposal involved Automobiles Peugeot, the company that controls Peugeot and Talbot, in shedding its 95 per cent stake in Talbot et Compagnie, the French Talbot subsidiary, to a company called SA Talbot and another company called Sora SA.

The car group did not give details of Sora. SA Talbot controls the 5 per cent stake in Talbot et Cie not held by Automobiles Peugeot.

The changes thus appear designed to insulate from a legal point of view the Peugeot group from the French Talbot subsidiary, whose entire operations are centred at Poissy. That would presumably enable the group to shut the plant without dragging in the rest of the

group, including Talbot's UK and Spanish operations, the Peugeot operations and the Citroën operations. Talbot's UK and Spanish operations are separate subsidiaries of the Peugeot group and are thus not directly affected by the troubles of Talbot et Cie, the French subsidiary.

The plant continued to be the scene of increasingly acute labour tensions yesterday, with a number of second-hand cars set on fire by strikers outside the factory.

Poissy is at the heart of Peugeot's attempts to cut about 7,500 jobs at its French Peugeot and Talbot divisions, or the equivalent of 10 per cent of their total workforce.

Although Peugeot has gained tentative government approval to reduce some 4,500 jobs by early retirement, it has faced strong opposition over its proposals to make 2,900 workers redundant at Poissy.

Before Christmas, Peugeot finally negotiated a deal with the Government enabling it to make 1,900 redundant. But the trade unions have decided to fight on against the compromise.

Poissy has also been occupied by some 100 militant workers, who continued to stand their ground

Continued on Page 10

Nakasone's new Cabinet balances party factions

BY JUREK MARTIN IN TOKYO

MR YASUHIRO NAKASONE, the Japanese Prime Minister, yesterday announced a Cabinet of mostly new faces after the recent general election and indicated that he would continue to pursue a pro-Western foreign policy.

Mr Nakasone said at his first press conference after naming his new Cabinet that he planned to send Mr Shintaro Abe, the Foreign Minister, to Washington next month for talks on bilateral trade and other problems.

Mr Nakasone said Mr Abe and Mr Noboru Takeshita, the Finance Minister, who were the only ministers to retain their portfolios, had been kept on to demonstrate continuity in Japan's international diplomacy.

The new Cabinet represents an artful but conventional piece of political balancing. It has brought out the potential challenges to Mr Nakasone. At the same time it has pointed up the fact that he still has political force despite the damage sustained by the poor showing of his Liberal Democratic Party in the general election of December 18.

The Prime Minister appears to have won the backing, more speedily than expected, of all the important elements in the ruling party for his allocation of important Cabinet and party posts.

He has finally managed to get his own right-hand man, Takao Fujinami, into the influential position of chief Cabinet secretary and another member of his faction, Mr Hikosaburo Okumura, as Minister of International Trade and Industry.

He has also benefited, though not directly by his own hand, from the surprising decision of the small New Liberal Club, which broke away from the LDP in 1978, to support the Government in return for being granted one Cabinet position.

The New Liberal Club is a small splinter group which broke away from the LDP in 1978 to protest against scandals involving Mr Kakuei Tanaka, the former Prime Minister, and other senior politicians. Mr Nakasone's survival had been uncertain following the elections in which the LDP suffered a stunning setback, losing 36 of its 285 seats.

The election was dominated by the furor surrounding Mr Tanaka's October 12 conviction for accepting bribes in the Lockheed Corporation scandal of the early 1970s. Mr Tanaka was re-elected with a massive majority in his own constituency but his party suffered badly. He controls a large parliamentary bloc.

The LDP-NLC alliance, the first coalition since 1947, effectively gives the Government a measure of

control over parliamentary committees which would have been denied the LDP on its own account because of its election losses.

The alliance was brought about principally by the mediation of Mr Rokosuke Tanaka, who has been rewarded with the position of secretary-general of the LDP.

Mr Rokosuke Tanaka is a member of another LDP faction, that of Mr Zenko Suzuki. He is, however, on close terms with Mr Kakuei Tanaka, whose influence over the new Cabinet will probably be marginally less than his influence over the last.

From Mr Nakasone's point of view the importance of the rise of Mr Rokosuke Tanaka is that it is at the expense of another Suzuki faction member Mr Kiichi Miyazawa, who was previously considered to be the most powerful potential challenger for the prime ministership.

Mr Miyazawa has been squeezed out of a major post in the Cabinet.

A notable readmission to the Cabinet, and thus providing an enhanced power base, is Mr Toshio Komoto, yet another faction leader, who once more becomes director of the Economic Planning Agency, a post he held in the last Suzuki Cabinet.

Editorial comment, Page 8

Greece will need to continue economic restraint, OECD says

BY PAUL BETTS IN PARIS

THE GREEK economy will have to continue to undergo big adjustments despite some welcome signs of progress during the past year, the Organisation for Economic Co-operation and Development (OECD) says in its latest survey on Greece.

The economic tightening by the Socialist Government after the inflationary policies applied between 1970 and the middle of 1982 is beginning to bear some fruits, the OECD notes.

Among positive developments, underlying inflationary pressures have eased this year and the OECD believes consumer prices will increase at a rate below 17 per cent in late 1984, compared with more than 20 per cent in recent years.

The OECD also forecasts that the current balance-of-payments defi-

cit, which was reduced to \$1.9bn in 1982 from \$2.4bn in 1981, will remain about the same level in dollar terms this year although it might rise slightly in 1984.

Tax increases have also helped to reduce the public-sector borrowing requirement (PSBR) as a proportion of gross domestic product. However, the OECD says the PSBR, which totalled Dr 404.2bn (\$4bn) last year, remains excessive.

The OECD report says that no steady and significant slowdown in the inflation rate, which among other factors would help to restore confidence in the Greek currency and reduce capital outflows, can be achieved without budgetary and monetary restraint.

The OECD also says that in the special circumstances of the Greek economy, incomes policies can play

a central role in the disinflationary process.

Changes in the Greek wage indexation system this year are a first step, the OECD notes, adding that the consequent reduction in real earnings is part of the necessary sacrifices.

Another key aspect of the economic adjustment Greece must undergo is the need for a shift in the allocation of available resources to promote investment and net exports, and to restore an adequate level of profitability in exposed economic sectors.

The report estimates that the relative share of private and public consumption may have to be reduced by as much as 8 to 10 percentage points of gross domestic product in favour of productive investments and net exports.

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OVERSEAS NEWS

Reagan takes blame for Beirut bomb deaths

By Reginald Dale, U.S. Editor, in Washington

PRESIDENT Ronald Reagan yesterday assumed full personal responsibility for any security failures that might have led to the deaths of 241 American servicemen in the October 23 truck-bombing of U.S. Marine headquarters in Beirut.

In a brief news conference before leaving for California, he appeared to rule out disciplinary action against Marine commanders on the ground in Lebanon, who have been sharply criticised for failure to take adequate measures to prevent the attack, which deeply traumatised U.S. public opinion.

Mr Reagan was commenting on the report on the incident by a Pentagon-appointed commission chaired by retired Admiral Robert Long, the publication of which was delayed while Mr Reagan and other senior Administration officials considered its implications.

Mr Reagan, who is the commander-in-chief of all U.S. forces, said that he wholeheartedly agreed with the commission's conclusions that the U.S. and its military institutions were "by tradition and training inadequately equipped to deal with the fundamentally new phenomenon of state-supported terrorism."

He called for new international co-operation among "civilised countries" to share intelligence and improve training, security and force levels "to deny havens or legal protection for terrorist groups, and most importantly of all, to hold increasingly accountable those countries which sponsor terrorism and terrorist activity around the world."

Mr Reagan said that the number of terrorist incidents worldwide had increased by three times since 1968, and that 83 per cent of recent attacks had been aimed at U.S. targets. But he produced no specific proposals for dealing with the threat.

He expressed hope that the U.S. might be on the verge of new progress towards national reconciliation in Lebanon and the withdrawal of foreign forces from the country, including the U.S. Marines, he warned, however, that "Utopia" would not be expected.

Mr Reagan's remarks were seen in Washington as reflecting the Administration's concern over the Marines' highly controversial deployment in Beirut on the eve of election year.

Mr Reagan, however, did not yet appear ready to pull the U.S. out of Beirut until he can either claim that they have fulfilled their mission—or say that peace remains so impossibly elusive that there is no point in their remaining. Above all, he does not want to suggest, by a premature withdrawal, that the many who have been killed in Beirut died in vain.

Nora Boustany in Beirut and Our Middle East Staff in London add: Beirut airport came under renewed artillery fire yesterday afternoon, threatening the ceasefire agreed on Monday night after the worst outbreak of fighting in the southern suburbs of the Lebanese capital since September.

For the first time since Christmas Eve, residents of the Sabra and Chatila refugee camps along the airport road ventured out of their homes and shelters yesterday. Fierce clashes between Shia militias and the Lebanese Army had left 45 people killed and over 150 wounded in the space of violence that followed a confused pull-out of French troops from a sensitive area in Beirut's Shia Muslim slums.

The security deterioration over the long Christmas weekend accompanied by the Lebanese businessman Mr Rafik Hariri to consolidate a December 16 ceasefire that allowed Beirut airport to reopen after a 17-day closure.

The redeployment of the French troops coincided with a visit here by M Charles Hernu, the French Defence Minister. Italy has already decided to scale down its presence as part of the multinational force in Beirut.

Israeli forces also came under attack yesterday in Sidon. One Israeli army officer died and three guerrillas were killed during a clash in the city. Israeli spokesmen said a patrol had encountered a guerrilla faction attempting to lay an explosive charge.

Reports from Sanaa, North Yemen, yesterday indicated that Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, is planning to hold a meeting of his military committee to decide on a new PLO strategy. Arab news agencies said several senior PLO members had already arrived in Sanaa from Tunis. Mr Arafat was sharply criticised by some of his supporters for his decision to visit President Mubarak of Egypt in Cairo last week.

Dr Osama el-Baz, a senior adviser to President Mubarak, yesterday again urged the U.S. to open a dialogue with Mr Arafat. He described Mr Arafat as a responsible leader of the Palestinian people and the "voice of reason and moderation within the Palestinian movement."

Tim Cooper, who spent three months with rebel forces in Afghanistan, assesses their prospects

Internal dissent hobbles Afghanistan's rebel tribes

IN THE small village of Estana, just 45 miles north of the Afghan capital, Kabul, the man the Russians most fear sits down to a tea in his honour.

The room is hushed as Ahmed Shah Massoud, flanked by heavily armed bodyguards, speaks to each of his hosts in turn in a carefully timed ritual. At 30 years of age, Massoud is gaining a reputation as one of the few men who could unite Afghanistan's fractious tribes against the Soviet invaders.

Using the safe haven of the Panjshir Valley as a base, Massoud is trying to secure agreements of mutual assistance from other rebel groups whose men he trains in the north and centre of the country. That afternoon in Estana, which nestles high in the Hindu Kush mountains, this herculean task.

Massoud first started fighting six years ago—two years before

the Russian invasion. If he succeeds in forging even a semblance of unity among the unruly tribes of Afghanistan, the Russians will have a real fight on their hands.

Massoud has already scored a notable success by achieving what appears to be the first tangible and lasting result of the four-year conflict—the Panjshir ceasefire.

The Afghan Government and Soviet forces have striven unsuccessfully to control the strategically placed Panjshir valley since 1979.

In the autumn of 1982, responding to growing resistance, Soviet commanders launched a massive ground and air attack. For six days, it seemed as if the Russians would succeed.

Then Massoud saw an opportunity to score decisive points against the Russians. In a lightning advance up the valley, a large element of the Russian

airborne force had outpaced supplies and was in danger of being cut off.

Massoud reacted by organising his men into small mobile

only Soviet presence in the Panjshir now is one small base at Anawa, at the mouth of the valley. The six months have now passed, and as neither side has

fight in other parts of the country.

For the past four years there has been talk of unity. The mujahideen (rebels) parties are now divided into two main camps, the Islamic fundamentalists and the Traditionalists who support the deposed king, Zahir Shah. In reality there are still over 15 separate parties and innumerable local leaders.

It is this lack of unity which, more than any other factor, has prevented the mujahideen from reaching their full potential. In many areas of Afghanistan, the situation is so out of hand that there are more mujahideen casualties sustained in inter-tribe fighting between the factions than in action against the government. The result is low morale and little popular support.

The Soviets have consolidated their position in Kabul, and in other bases around the country. They counter-attack brutally when their own bases are threatened, but appear content to allow the mujahideen the run of the sparse rural and mountain areas.

The rebels confine themselves chiefly to ambushing supply convoys and attacking minor posts in hit and run raids. There are exceptions to this. Rebels in Peshawar claim a string of successes against Soviet bases. In the border province of Pakhtia, one Afghan Government garrison has recently fallen, and two others are under siege.

Because of the large numbers needed to encircle a base, a rough, if temporary, form of unity springs up on such occasions. But this show of solidarity is rare, and until the rebels unite they have little hope of hurting the Russians enough to make them rethink their position.

'If Massoud succeeds in forging even a semblance of unity among the unruly tribes, the Russians will have a real fight on their hands'

units, and using superior local knowledge to encircle the Soviet troops. The Russians made several costly attempts to break out, but failed. Finally, they proposed a ceasefire. Massoud agreed. He too was low on supplies, but having the upper hand, struck a hard bargain.

The ceasefire was eventually confirmed in April 1983, for an initial period of six months. The

broken the agreement, it seems that it will continue.

Although some of Massoud's rivals, particularly in Pakistan, claim that he is co-operating with the Government, from what I saw, this does not appear to be true. In fact, the valley is now being used as a major training centre of mujahideen from over Afghanistan. Massoud's own mujahideen regularly leave their home to

Soviet war of occupation remains a major East-West irritant

BY ALAIN CASS, ASIA EDITOR

WHEN Soviet President Yuri Andropov left the public scene with a "cold" more than four months ago he took with him one of the most tantalising enigmas of 1983—did he really want to start disengaging the Soviet Union from a bloody war of occupation in Afghanistan or was it all a ploy?

An authoritative answer will have to wait the Soviet leader's return and a more explicit definition of Moscow's policy. Recent events, however, are not encouraging.

These, like Mr Diego Cordovez, the UN mediator, and President Zia ul-Haq of Pakistan, who foreshadowed changes on Mr Andropov's suc-

cession to the Kremlin leadership appear to have been over-optimistic.

Despite assurances by Mr Cordovez as long ago as last May that he had "95 per cent" of a draft settlement on Afghanistan wrapped up, the UN-sponsored talks appear to have ground to a halt. These foundered largely on Moscow's refusal to consider a timetable for withdrawal.

Last week Mr Vitaly Smirnov, the Soviet Ambassador in Islamabad, warned Pakistan against helping the Afghan rebels based in the border town of Peshawar.

In a joint statement to the regime of Mr Babrak Karmal in

Kabul, he said the Soviet Union and Afghanistan would retaliate against such continued support.

The warning came a few days after the fourth anniversary of the Soviet invasion in 1979 to prop up Kabul's fragile Communist regime. It could signal, according to some diplomats, a tougher stand by the Kremlin in the diplomatic efforts have stalled.

The Soviet Union is unlikely, however, completely to abandon efforts to reach a diplomatic solution. On a local level it is continuing to build up economic relations with Pakistan which remains, however cautiously, interested in a negotiated solution if only to relieve the pres-

sure of 4.5m Afghan refugees on its side of the border.

On a broader front, Moscow is likely to retain the option of a negotiated settlement because of its desire to improve relations with China as those with the U.S. deteriorate.

Despite continued losses of men and equipment the Soviet Union nevertheless appears to be deeply committed to embedding a Russian-style regime in Kabul. The U.S. estimates the number of Soviet dead at 5,000 but this is a tiny proportion of the Russian military machine.

In the past year the Soviet Union's 105,000 troops in Afghanistan have been consolidating their positions in the

major urban areas as well building new garrisons in the west.

This, according to some analysts, foreshadows a fear in Moscow that a clash with the Islamic fundamentalists in Iran is inevitable as Tehran's clandestine support for Afghan rebels grows.

Although it has recently been overshadowed by the breakdown in the nuclear arms reduction talks, the Soviet occupation of Afghanistan remains a major East-West irritant.

U.S. officials, however, point to a number of benefits to the Soviet Union from this uncomfortable situation and argue that a Russian withdrawal is

unlikely unless and until a Communist regime is firmly installed in Kabul.

One benefit is the supply of natural gas from northern Afghanistan. Another is a ready-made training ground for Soviet troops. A third is a recent increase in trade between northern Afghanistan and the adjacent Soviet republics.

Set against these and the appalling prospect of defeat in Afghanistan after four costly years the considerable cost of remaining there for Mr Andropov and his colleagues does not appear, for now, too high a price to pay.

Brussels urged to support European television industry

BY RAYMOND SNOODY IN LONDON

A PERSONAL initiative to try to persuade the EEC to provide funds to support European television programming has been launched by Mr Aubrey Singer, managing director of BBC Television.

Such an expansion of the European television industry would not only create jobs but help to combat the expected tide of cheap U.S. imports on Europe's new cable television networks.

Mr Singer is to meet Mr Ivor Richard, the EEC Employment and Social Affairs Commissioner and Viscount Etienne Davignon, Commission vice-president early in the new year to press the case for the establishment of an EEC Audio-Visual Authority to support European-made programmes.

The suggestion is being taken se-

riously by the Commission as many EEC member states are concerned that cable and satellite television will encourage new levels of U.S. "media colonialism."

As a result of Mr Singer's initiative, a committee is likely to be set up in the new year through which representatives of the users and producers of films and television to see how more funds could be provided for European programme makers.

One idea being considered is that of setting up a European film and television foundation which would bring together EEC industrial funds and private sector finance. Programmes made by Europeans for use in more than one EEC member state, could receive financial support.

Mr Maurice English, head of the intelligence unit in the European Commission's Information Technology Task Force, says the issue of supporting European programme makers is being looked at as a matter of urgency.

Mr Singer fears that while U.S. cable channels may be beamed over Britain and Europe by medium-power satellites, he calls the process the "Canadianisation" of Europe in that with the growth of cable in Canada the Canadian Broadcasting Corporation's (CBC) audience share has fallen from 35 per cent to 22 per cent.

Canada has fought back by making available a subsidy of some \$60m raised by a private levy of 8 per cent of cable revenue.

Romania to reduce food supplies

By Leslie Collett in Berlin

ROMANIA is to reduce basic food supplies next year because of a poor harvest and the high level of food exports needed to help reduce the country's hard currency debt.

Meat rations are to be lowered 15 per cent and flour 13 per cent. Milk, cooking oil and sugar are also to be reduced although shortages already exist in many parts of the country in spite of rationing.

Special food reserves are to be kept for the capital of Bucharest and the coal-mining centre of the Jiu Valley where labour unrest has broken out in the past.

In Czechoslovakia, the Agriculture Ministry said food supplies had improved, after a good harvest and prices of meat and dairy products were good compared to last year although meat distribution remains poor in some parts of the country.

Next year wages in Czechoslovakia are to be brought more closely into line with company profitability. Almost half of the increase in Czechoslovakia's growth is currently being used to service the country's hard currency debt, according to Mr Svatopluk Potac, the chairman of the Planning Commission.

Hungarian elections to be contested

By Leslie Collett in Berlin

PARLIAMENTARY elections in Hungary, this coming year, are to be contested by at least two candidates in each district who need not be members of the Communist Party.

In passing a new electoral law, the Hungarian Parliament said voters will be able to strike off the names of several candidates leaving one.

All the contenders, however, will have to acknowledge the "leading role" of the Hungarian Communist Party.

U.S. freeze inflicts heavy crop damage

BY TERRY BYLAND IN NEW YORK

CHRISTMAS in the U.S. brought sub-zero temperatures throughout the country, inflicting serious damage on citrus and vegetable crops in the southern and mid-western states.

The nine-day cold spell set record low temperatures in dozens of U.S. cities and caused some 200 deaths, mainly in traffic accidents.

Temperatures ranged from 14 degrees Fahrenheit in Houston, Texas, to 20 degrees below zero in Rapid City, South Dakota.

Florida's orange-growing areas were particularly hard hit by the freeze which severely damaged the harvest for the third consecutive year.

While it was still too early to assess the financial loss to the Florida crop, the industry was comparing the scale of damage to that suffered in 1981 when the citrus fruit harvest was cut by about one sixth by a heavy freeze during January.

In Texas, the harsh Christmas

weather caught citrus farmers with about two-thirds of their crop ready for harvest. Damage was estimated at about \$30m (\$1.5m).

Damage to vegetable crops in Florida and Texas was also very heavy, with the industry predicting a loss in income of between \$20m and \$30m.

New York suffered temperatures of about 4 degrees Fahrenheit on Christmas Day. At least six people were reported to have died from exposure.

Seven hundred people were stranded at a high school in northern New York state when the storm forced authorities to close a highway for two days.

The National Weather Service said the cold spell set 80 low-temperature records yesterday.

Water supply pipes froze and burst in several cities, including at Fort Worth, Texas. Fires caused by over-heated household furnaces killed several people.

Calcutta congress could be prelude to election

BY K. K. SHARMA IN CALCUTTA

A FOUR-DAY session of the ruling Indian Congress Party, led by Prime Minister Indira Gandhi, begins a significant all-India plenary session today, possibly foreshadowing early general elections.

The session is being held in Calcutta, capital of the Marxist-ruled state of West Bengal, after a lapse of eight years, with an eye to the coming elections which have to be held before January 1985.

The belief that Mrs Gandhi may decide on an early poll is strengthened by the unexpectedly good performance of her Congress Party in three parliamentary by-elections and 11 by-elections to five state legislatures last Friday, the results of which were announced on the eve of the Calcutta session.

The Congress wrested one parliamentary seat from the opposition parties and, although it lost the two others, it did so with very narrow margins.

More significantly for the

Congress, it won eight of the 11 by-elections to the five state legislatures at a time when the party's fortunes were thought to be on the decline. Two of these victories were in West Bengal, where the Marxist party was trounced in its stronghold.

The all-India Congress plenary session is being held for the first time in a state where the party is not in power in a bold challenge to the Marxists.

Considerable organisational work has gone into making the session a success and at least 10,000 delegates are to attend it from the country's 22 states.

Its significance as a prelude to the General Elections is clear from the fact that the session will highlight three main points. These are the eradication of poverty, maintenance of national unity, India's anti-war campaign and Mrs Gandhi's role as leader of the third world. All are meant to project Mrs Gandhi's personality and leadership.

Mauroy in charge of 'oil sniffer' plane probe

By Paul Betts in Paris

M. PIERRE MAUROY, the French Prime Minister, has taken charge of what has become known as "the affair of the oil sniffing planes" which is providing the country with an unusually ferocious end-of-year controversy.

The affair centres on tests conducted between 1978 and 1979 by the state-controlled oil company, Elf-Aquitaine, of a novel but unsuccessful method of searching for oil and mineral deposits using electronic equipment installed on aircraft.

Mr Mauroy has studied a confidential report at the Christmas weekend which had been drawn up by the Cour des Comptes, the French public accounts watchdog body. This report had been ordered by the former right-wing administration of President Valéry Giscard d'Estaing and Prime Minister M. Raymond Barre. Former President Giscard d'Estaing had authorised the experiments that cost the Elf group FFr 1.3bn (£108m), though the oil company eventually retrieved only some FFr 50m.

Mr Mauroy yesterday held talks with M. Andre Chagnier, the new president of the Cour des Comptes and former minister in charge of relations with Europe. He is also due to consult Jean-Louis Guesne, involved in the affair in coming days.

Some copies of the original report had been destroyed by the former president of the Cour des Comptes, M. Bernard Baudry, who still exists. This sparked off the controversy in the National Assembly with M. Henri Emmanuelli, minister of state for the budget, calling the project a "giant fraud."

With former President Giscard d'Estaing and Prime Minister Barre immediately denied any impropriety and accused the Left-wing Government of concocting the controversy for political ends.

At the weekend, M. Max Gallo, the Government spokesman, fanned the flames by claiming that even Thutina, the famous cartoon character, would not have fallen for the "hoax." M. Lionel Jospin, the first secretary of the Socialist party, asked for public disclosure of the report, while the Communist Party have demanded a Parliamentary investigation.

Elf, which has been deeply embarrassed by the row, has continued to insist the project had been justified.

Mr Chagnier, however, has also come under attack from the opposition that is demanding he step aside from a Cour des Comptes investigation into the affairs of the Mission Laigue Française, of which he was president.

In a further twist to the affair, M. Alain Chalandon, the former chairman of Elf, is quoted in the latest issue of the satirical weekly, Le Canard Enchaîné, which first exposed the entire matter, as saying the principal reason for the secrecy surrounding the affair was to safeguard the image and credibility of the French state and its oil company.

Sabena staff strike

STAFF of the state-controlled Belgian airline Sabena yesterday went on a one-day strike after unanimously rejecting a draft agreement reached last week by the company and union negotiators. AP reports from Brussels: The strike was in protest at a deal that included wage cuts from 2 to 17 per cent.

Steel-rescue plan

PRIVATE sector steelmakers are preparing an offer to take over part of the Cornigliano steelworks near Genoa from the state steel group Finsider Spa as an alternative to its closure. Industry sources said, Reuter reports from Rome.

Envoys leave Dhaka

FIVE Soviet diplomats in Dhaka identified recently by the Government as "undesirable" left for Moscow on Monday. Soviet Khabard reports from Dhaka: The Bangladeshi Government has also ordered the closure of the Soviet cultural centre in Dhaka and the Soviet consulate general office in the Port City of Chittagong.

Brazilian Debt

Brazil plans to sign its \$8.5bn (\$4.5bn) loan from commercial banks on January 16, not on January 6 as reported in the Financial Times of December 24.

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WORLD TRADE NEWS

ECGD sets out position on Nigerian debt

By Our Foreign Staff

BRITAIN'S Export Credits Guarantee Department (ECGD) last week issued a statement on its reaction to Nigeria's request for a refinancing of payments owing to British exporters. The text was as follows:

"The Export Credits Guarantee Department was approached a few weeks ago by S. C. Warburg, one of the advisers to the Nigerian Government, with a request that we should assist the Nigerian Government in finding a solution to the problem of the arrears of short-term debt. We agreed to consider this, and today (December 22) we have had exploratory discussions with a team of Nigerian officials led by the Permanent Secretary at the Federal Ministry of Finance, Alhaji Abubakar Alhaji.

We now have a clearer idea of Nigerian intentions. The Nigerian Government is asking for refinancing credits to enable existing arrears of short-term debt (estimated at from \$30m to \$50m) to be brought up to date. ECGD would be asked to guarantee such a refinancing credit, which the Nigerians have proposed should be repaid over a six-year period, including two and a half years grace. Comparable relief would also be sought from other official agencies and private uninsured investors.

"The refinancing credits to be guaranteed by ECGD would relate only to arrears of debts which the Department previously had covered. Therefore the proposal does not involve any significant increase in ECGD exposure, although we will of course have a liability for some additional interest."

"The Nigerian team were assured that Her Majesty's Government would give their proposals very careful consideration. It would be necessary to have multilateral negotiations with other official agencies in order to ensure parity of treatment."

"Moreover, in any event, any agreement would be dependent on progress being made in the negotiations between the Nigerian Government and the International Monetary Fund on a new IMF programme."

"In the meantime, ECGD will remain open for cover on Nigeria, but in order to allow some time for stock-taking, and the further discussions with the Nigerian Government that will be necessary, the Department will have to delay the processing of new applications."

"Medium-term applications for project business: There will be further discussions with the Nigerian Government about their priorities. Further offers from ECGD will not be made until these discussions are completed."

Oman signs contracts for 500km pipeline

MUSCAT — Petroleum Development Oman (PDO) has signed contracts totalling nearly \$40m for construction of 500 km of pipeline, a Ministry of Petroleum and Minerals Resources spokesman said. He told Reuters a \$19.1m contract was awarded to the Italo-Greek Salpem-COC Enterprises Consortium while a second contract worth \$19.3m went to France's Entrepote SA. Reuters

David Marsh in Paris reports on a strategy to open up the European market in selected areas

France employs the anti-protectionist weapon in its campaign for high technology profits

"M FABIUS believes in efficiency," says a top French government official explaining why, in some areas at least of high technology trade, France seems to have turned its back on protectionism.

M Laurent Fabius, the Industry Minister who took over the job in March, has launched a campaign against protectionism, to open up the French market in such fields as telecommunications and computers—provided that such steps also lead to similar moves by other countries to allow French electronics companies to expand their own sales abroad.

Steps to allow gradual opening of EEC markets in telecommunications form an important part of the European industrial strategy which Paris will be putting forward when it takes over the presidency of the Community for the first six months in 1984. But in other areas of electronics, foreign companies which do business with France say that protectionist policies inherited from the past are still continuing, and are sometimes worse than ever.

Reciprocal

France has already concluded one agreement in telecommunications, with West Germany, covering a joint radiotelephone project and a limited reciprocal opening of markets for public sector telephone equipment. And it is negotiating another, potentially much further reaching, accord with Britain. This could lead not only to cross-exchanges of telephone equipment but also joint international research and marketing by CIT Alcatel of France and Plessey or GEC of the UK. It is not mere coincidence

that the telecommunications field has been chosen for France's free trade push. CIT Alcatel, which is being given responsibility for the overall French telecommunications sector following the landmark industrial restructuring deal with Thomson in September, is at present the world leader in sales of all-electronic digital exchanges.

The company thus stands to profit from more liberal intra-EEC trade policies. And it is urgently seeking expanded international collaboration to ensure its technological lead is not eroded once the rival digital telephone grouping of American Telephone and Telegraph and Philips starts to assert itself in the next year or so.

Significantly, French officials feel that the idea of telecommunications collaboration with Britain is more propitious than links with Germany. They say Bonn is unlikely to want freer telecommunications trade to go too far. This is because Siemens, Germany's industrial leader in public telephone systems, fears damaging encroachment into the Federal Republic of more advanced French equipment.

If agreement is reached, however, with British companies on joint marketing and research efforts, Paris officials say they are optimistic that Siemens would want to join in too. This could eventually lead to a tripartite group pooling European expertise which would be in a better position to confront the AT and T/Philips threat.

These far-flung visions, however, are a long way from the day-to-day problems of foreign electronics companies trying to sell into parts of the French public sector market.

One big U.S. company with a

world-wide lead in sophisticated radio communications equipment reports it has recently been barred from key government orders because it is competing with Thomson.

"I've seen the order documents crossed out with 'Non, Non, Non,' all over them," says an executive from the company concerned—who asked not to be

the Government's national lottery.

But, with the notable exception of IBM, foreign computer suppliers generally feel that the going has got tougher in France since the sweeping nationalisations in 1982 extended the public sector market. M. Guy Raffenne, a director at the French sub-

provide French jobs can pave the way to more government orders. Other companies such as Wang are, however, still hesitating over such a step.

M Jean Calmon, commercial director at Apple France, which imports its basic computers into France, admits: "Our product is not red-white-and-blue. But we're trying to bring something to the party for the French economy. We Frenchify our software and hardware as far as we can—for instance by working closely with French software companies."

Non-French (and especially U.S.) computer companies' drive to behave as "good citizens" in France has been sparked off above all by the example of IBM.

The world's dominant computer manufacturer is well entrenched with manufacturing and research facilities in France, and it feels its relationship with the Socialist Government is now "easier" than it was with the previous right-wing administration. (See article on November 28).

M Fabius even paid a visit to the IBM stand at the autumn Paris electronics and office equipment show and chatted with general management—a gesture which almost certainly would not have been made by ministers in previous governments.

A small step towards increasing French market share for foreign suppliers in the key area of education may be taken soon. Up to now, Thomson has had a near monopoly in this sector. But the Government is asking for tenders for a much-increased volume of computers planned to be introduced in schools. Both IBM and Apple have responded to a preliminary

IT is not a mere coincidence that the telecommunications field has been chosen for France's free trade push. CIT Alcatel, which is being given responsibility for the overall French telecommunications sector following the landmark industrial restructuring deal with Thomson in September, is at present the world leader in sales of electronic digital exchanges.

identified because he thought it could further damage his sales chances. The company has achieved a sales breakthrough in supplying advanced radios to France's crack para-military gendarmerie grouping, the GIGN (equivalent to Britain's SAS). But it is unlikely to get further orders throughout the rest of the gendarmerie because, crucially, it lacks a manufacturing base for this equipment in France.

In spite of traditional buy-French policies in key government computer areas, IBM is well represented throughout the public sector, which it reckons accounts for around half its business in France. Among other U.S. companies, Compaq Data is an important supplier to the Posts and Telecommunications Ministry. Sperry has big contracts with the French railways; Burroughs machines help pick the lucky winners in

sidary of Burroughs, says the market for computers in banks has become "harder" since the state banking takeovers. Britain's ICL, which also complains of increased protectionism in government markets, however, collects a consolation prize in its sales of computers to local authorities, which are outside the central government's direct control.

And M Guy Montalban, in charge of sales in the Paris region for Hewlett Packard, explains that even if the "buy French" tendency for big computers persists in some areas, "this is offset by the explosion in demand for smaller computers and decentralised equipment, which has grown four or five-fold in the past two years."

Hewlett Packard is stepping up its investment in France (FFr 300m (£25m) over 1983-1984 compared with FFr 175m in 1981-82). It knows that manufacturing facilities which

Boeing says order book better than last year

By Terry Byland in New York

AN IMPROVEMENT in order levels for commercial aircraft was disclosed yesterday by Boeing, the Seattle manufacturer which leads the world industry.

Boeing Commercial Airplane, the civil aircraft manufacturing subsidiary, said that its order list for 1983 stands at 148 aircraft, of which 103 were ordered in the second half of the year.

The 1983 total is 40 up on the previous year, and the company commented that this was still "far from what we would consider a very good year."

The total for the current year, taken in an order disclosed in week by Lufthansa for 5 Boeing 737s, valued at more than \$100m. The new aircraft designed to carry 109 passengers, will be delivered by May 1985. Boeing commented that overseas carriers had placed 1 of last year's total orders.

Thais reject Japan loans for sea port

By Chris Sherwell, South East Asia Correspondent

THAILAND HAS unexpectedly decided against using Japanese soft-loans to develop a deep sea port because this would prevent Western developed countries bidding for contracts, a Thai government official was quoted as saying last week.

The loans, from Japan Overseas Economic Cooperation Fund (OECF), were to have helped finance construction of the 2.5km (£77m) commercial port at Laem Chabang south east of Bangkok. This is one of two ports on Thailand's eastern seaboard designed to support the development of export-oriented manufacturing

World Economic Indicators

	FOREIGN EXCHANGE RESERVES (U.S.\$m)			
	Oct. '83	Sept. '83	Aug. '83	Oct. '82
U.S.	4,910	4,910	4,910	10,974
U.K.	8,567	8,564	8,560	37,417
W. Germany	38,334	37,093	36,718	19,071
Japan	20,444	20,452	20,238	12,959
Italy	17,753	17,750	18,106	3,271
Belgium	3,237	3,235	3,235	7,528
Netherlands	8,730	8,727	8,727	11,034
France	18,471	18,464	18,459	

Source: IMF.

SHIPPING REPORT

More tankers need to be scrapped, says report

By Andrew Fisher

NEARLY 30M deadweight tons of tankers currently laid-up will never trade again, E. A. Gibson Shipbrokers said in its latest report for the year on lay-ups and scrapping in this over-tanned sector.

But while the volume of tonnage in lay-up has been reduced over the past month, the rate of scrapping throughout the whole years has been less rapid than hoped.

"A far greater number of vessels need to be disposed of quickly to have any effect on depleting the enormous excess of tonnage and reduce the

balance accordingly," Gibson said. But its own figures showed that scrapping of tankers and combined carriers up to mid-December was well down on last year, with 221 vessels of 24.1m dwt scrapped in 1983 against 239 of 24.6m dwt in 1982.

This fall-off in the tanker scrapping rate occurred despite the efforts of shipowning organisations, banks and shipyards to encourage owners to scrap older vessels and reduce the tonnage surplus.

Gibson said the world's tanker fleet was currently around 3,470 ships of 328 dwt, of which VLCCs (very large crude carriers) accounted for 48 per cent by tonnage.

Between mid-November and mid-December, the volume of tankers and combined carriers laid-up, idle or being repaired fell from 375 ships of 64.3m dwt to 357 of 61m dwt. About three-quarters of the total consisted of large vessels above 200,000 dwt.

Gibson reckoned that 27m dwt of vessels now idle would never trade again, including nearly 20m dwt of VLCCs. In the last month, it was estimated that every six of such vessels had gone for scrap.

Mitsui aims to resume work on Iranian complex

TOKYO — The Mitsui industrial group has not changed its policy of resuming work next month on the giant petrochemical complex at the southern Iranian port of Bandar Khomeini, suspended since September 1980, Mr Tatsuo Imamura, president-elect of the Iran Chemical Development Company (ICDC) said.

He told a press conference ICDC, a Japanese partner in the joint venture with National Petrochemical Company of Iran, believes it is fairly safe for the group to resume construction. Officials of ICDC said, however, that Mr Imamura's statement should not be taken as a definite plan to send around 100 Japanese engineers to the plant site in January to resume construction.

This is because ICDC is still cautiously watching the position of the Iraqi Government, which last October warned Japan that Iraqi aircraft might bomb the 85 per cent-completed complex if work is resumed. Reuters

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UK NEWS

GM boosts UK content of its Vauxhall models

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS says that by the end of 1984 the UK content of its Vauxhall cars it builds in Britain will have risen from the current 10 per cent to an average of 60 per cent.

GM also aims to supply 65 per cent of the cars it sells in the UK from its British plants, at Luton and Ellesmere Port on Merseyside, by the end of 1984. This compares with 47 per cent in 1983 - the rest from the continental European plants of GM's West German subsidiary, Opel, which also produces most of the kits from which Vauxhall assembles cars in the UK. During 1984, all the steel for

Vauxhall cars will be supplied by the British Steel Corporation and either sent to Opel for processing or to Vauxhall, which will be doing more of its own sheet metal pressing and metal assembly.

Vauxhall will also be sourcing in the UK in 1984 many parts previously supplied from the Continent - including head trim, bumpers, steering gears and lamps.

This will take the average UK content of Vauxhall cars up to 60 per cent even though the Chevette, built at Ellesmere Port and which is 85 per cent British, will be phased out of production in 1984. Vauxhall says the current local content of a

British-built Astra is 50 per cent and of the Cavalier 57 per cent.

GM's critics point out that the UK Department of Industry rejected 60 per cent local content as too low when considering Nissan's proposals for a car plant in Britain. The department insisted that 80 per cent by value would be a suitable level if the British components industry was to benefit from Nissan's proposed project.

GM points out, however, that the build-up of local content "can't be achieved overnight". It has been working on the programme for some years and "we hope for more in 1985."

U.S. firms 'impressed with North of England'

By Anthony Moreton, Regional Affairs Correspondent

SUBSIDIARIES of U.S. companies operating in the North of England have a better record of industrial relations than other plants of the same companies elsewhere in the world, says a report produced by the North of England Development Council.

In addition 80 per cent of the companies regard the area as a suitable base for future expansion if this were being considered.

The booklet, *Locating in the North of England: The U.S. Experience*, shows that around 80 plants in the area - which covers the counties of Cumbria, Northumberland, Tyne and Wear, Durham and Cleveland - are subsidiaries or affiliates of U.S. concerns. Three quarters of them have been in the area for at least ten years.

A third of the U.S. companies are in the petroleum and chemicals industries, a quarter in mechanical engineering and metal manufacturing and a further 17 per cent in electrical and instrument engineering.

The first to arrive, over 50 years ago, was Procter and Gamble. It has since been joined by companies such as Black & Decker, British United Shoe Machinery (a division of Emhart Corp), Cummins Engine, Corning, Ingersoll-Rand Pumps, Monsanto, Phillips Petroleum and Rohm & Haas.

These concerns have played a significant role in diversifying the region's economic base, making a contribution in sectors ranging from sportswear to toys, from engineering to electronics and from pharmaceuticals to energy.

Their importance to the region is seen in the spin-off effect they have on other concerns. A third of their supplies came from other companies in the region and a further 30 per cent from within the UK.

When asked whether the North of England had proved to be a suitable location for their current operations only one said no.

Sizewell B savings estimates reduced

BY MAURICE SAMUELSON

THE CENTRAL Electricity Generating Board (CEGB) is believed to have scaled down by £320m the amount of money which it claims would be saved by using its proposed Sizewell B nuclear power station on the Suffolk coast instead of conventionally powered stations.

The board originally estimated that its proposed pressurised water reactor (PWR) would produce a net saving at March 1982 prices of more than £1,550m over its lifetime through reduced usage of conventional fossil fuel power stations.

It has now lowered its estimated saving to £1,230m, because of several factors, including the 21 months delay in the planned commissioning date caused by the length of the public inquiry over its application.

Some of its other estimates appear to have been made as a direct result of objections which have been heard at the public inquiry.

The inquiry, which began at The Maltings, Snape, Suffolk, at the beginning of the year, is expected to continue until next autumn.

Nevertheless, the board is sticking to its basic case for building its first PWR. In the next phases of the inquiry it will sustain its claim that further development of nuclear power is essential if electricity prices are ever to be reduced in real terms.

It still insists that PWRs would reduce the electricity industry's vulnerability to short-term interruptions in coal supply or higher coal prices.

Among other main reasons for the lower estimate of the savings from Sizewell B is a greater estimate of the amount of electricity which the board will import from the Scottish electricity industry, as well as from France through the cross-Channel link now under construction.

The board has not retreated, however, from its claim that it can build a PWR for £117m at March 1982 prices.

The board also continues to emphasise that it can build Sizewell B in 90 months.

Coal-fired plant 'would bring greater benefits'

BY PHILIP STEPHENS

A GROUP of Cambridge University economists has attacked the Central Electricity Generating Board's plan to build the Sizewell B nuclear power station on the Suffolk coast, and argues that a coal-fired plant would bring much wider benefits for the economy.

In a study published by the University's Department of Applied Economics, the group says that the CEGB has taken far too narrow a view of the economic impact of its decision to build the nuclear station.

The Cambridge economists say the CEGB has based its proposals on the view that the station will provide cheaper electricity than a comparably-sized coal fired station, despite much higher initial capital investment.

But, the study argues, the CEGB has ignored the knock-on effects of the choice on employment, the balance of payments and the national income.

While Sizewell B would provide cheaper electricity after 1992, up to 8,000 jobs will be lost if the inquiry rules in favour of the nuclear plant, with the coal industry hardest hit.

The group says that it would cause a net deterioration in the balance of payments and a fall in national income.

"The benefits to industry from slightly lower electricity prices would do hardly anything to mop up the additional unemployment, because the effect on overall industrial costs and thus international competitiveness would be so small."

The economists add that the CEGB may have been over-optimistic in its estimates of the cost and performance of the Sizewell PWR, particularly in view of the heavy overruns in earlier nuclear programmes.

The Economic Consequences of the Sizewell B Nuclear Power Station, Department of Applied Economics, Sidgwick Avenue, Cambridge CB3, price £2.85.

Eschaffier takes risk on Aveling Barford

By Ian Rodger

MR ADRIEN ESCHAFFIER, the American businessman who has bought the Aveling Barford construction equipment company from BL for an undisclosed cash sum, appears to be a very brave man.

The construction equipment industry worldwide is deeply depressed and the prospects for independent companies with limited product lines do not look bright.

Aveling Barford, for example, may have good product lines, but it does not have the economics of scale of its large U.S. and European competitors, such as Caterpillar, Euclid and Volvo, and has had great difficulty coping with the sharp drop in demand in the past five years.

In dump trucks, for example, one of its main lines, the company has maintained its 20 per cent UK market share, but unit sales have fallen 24 per cent since 1978 to only 42 units.

In wheeled loaders, it has fared even less well because of an increase in the number of competitors in the UK market. Its unit sales have fallen from 63 in 1978 to only 16 last year, 3.5 per cent of the market.

There have been rumours that Mr Eschaffier, who since 1978 has been an attorney-at-law in Philadelphia, was acting on behalf of a North American company already active in the construction equipment business, but sources close to Aveling Barford insist that he was buying the company for himself.

As president of the natural resources group of the U.S. conglomerate, Gulf & Western, from 1974 to 1978, he was responsible for a number of mines, and he is expected to try to increase Aveling product sales to the U.S. mining industry.

He may also see an opportunity arising from the collapse of the West German IBH construction equipment manufacturing group and, in particular, the attempt by its big U.S. subsidiary, Terex, to reorganise itself under Chapter 11 bankruptcy proceedings.

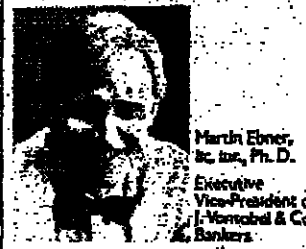
Another factor working in favour of a UK-based manufacturer supplying the U.S. market is the current weakness of sterling against the U.S. dollar.

In his statement Mr Eschaffier said: "I am particularly keen to seek out new export opportunities in North America where, I firmly believe, our products will stand up to the toughest competition from the big multi-national companies in the world construction industry."

Although Aveling makes about 60 per cent of its sales in overseas markets, its presence in North America is very limited.

From volume car manufacturer BL's point of view, the sale of Aveling Barford brings to a final conclusion a very unsuccessful venture into the construction equipment business.

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Asian financial centers are moving into the fund management business. Having identified portfolio management as a true growth industry, these centers are prepared to make investments large enough to build up an infrastructure which will surpass established financial centers. Further, they are developing the required human resources with considerable determination and an impressive long term strategy.

Asia Inc. as a Portfolio Manager: Old truths newly discovered

The insight that banking and fund management have really developed into high-tech industries is a crucial starting point when defining the infrastructural requirements for a financial center. As a logical consequence high priority has been assigned to the creation of a competitive domestic computer industry. Parallel to this, massive investments are being undertaken in telecommunications. Integrated digital communications networks, incorporating optical fiber technology, are being installed as these far exceed conventional networks in terms of data handling capacity and economy.

Further, a large pool of highly qualified staff is also considered to be a necessary component for competing successfully in the market for international portfolio management services. The development of this pool of trained manpower is a two stage process. In the first phase, the major burden is left to the individual companies. On the other hand, staff are sent abroad for a number of years of "on the job" training. As an extension of this strategy more and more joint ventures with prestigious foreign fund management firms are set up. In a second phase, government plays a major role in developing local talent. Such disciplines as information sciences and economics will not only be aggressively expanded in the universities but will also be a fixed part of a more junior level of education. Whereas, these ambitious projects to improve the infrastructure and develop the educational level to meet the challenge of the future, will only bear fruit in the longer term, other measures have already been taken which have improved the competitiveness of these centers rather effectively. Recognising the extreme mobility of capital flows, for instance, all levies on financial transactions have been eliminated.

Martin Ebner

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The professionals with the personal touch

Austin expansion welcomed by unions

By Philip Bassett

RADE UNION leaders yesterday welcomed the announcement by Austin-Rover, part of the state-owned BL Group, of its intention to take on an extra 800 workers in the new year as part of its attempt to win a 20 per cent share of the UK car market.

Mr Grenville Hawley, national automotive secretary of the Transport and General Workers' Union, and BL's senior union negotiator, said: "We are delighted to see that the expansion of the company is continuing and that it is able to take on additional labour."

The increase in labour has been expected. Austin-Rover plans to take on about 400 people at its Cowley plant in Oxford next month to help handle the introduction of its new medium LM-11 car, which will then go into volume production.

The new model, which may be called the Montego, following the line of BL's successful Metro and Maestro models, is due to go on sale in April.

Commercial vehicle output 'to rise 4%'

BY KENNETH GOODING

UK COMMERCIAL vehicle output will rise by 4 per cent in 1984 to 280,000, the Economist Intelligence Unit forecasts. But "the industry will remain in the doldrums with output below the 1982 level (269,000) and well short of the 1980 level of almost 300,000 vehicles."

The EIU, in its latest *Motor Business* review, also expresses concern about Leyland Vehicles, the BL subsidiary which recently announced a freeze on capital investment expenditure by its trucks manufacturing business.

"Leyland Vehicles could incur a trading loss for 1983 greater than £50m loss seen in 1982. And, unless there is a speedy recovery in its fortunes, there could well develop a growing question mark over the long-term future of Leyland Vehicles," it says.

The EIU suggests that the total UK market for commercial vehicles in 1984 will fall by 1.8 per cent to 266,000.

A forecast 4.2 per cent improvement to 50,000 in sales of trucks and articulated units will be more than offset by a decline in sales of light commercial vehicles, it predicts.

New registrations of British-built

commercial vehicles are forecast to remain unchanged at 181,000 in 1984, which suggests that the importers' market share will fall from an estimated 33.2 per cent in 1983 to 32 per cent.

The EIU points out that exports of British commercial vehicles collapsed in the first half of 1983 to 34,165 against 53,440 in the same period the previous year, a fall of 36.1 per cent.

The major export model continued to be the Land Rover, which accounted for about one third of total exports of commercial vehicles in the first six months. "If Land Rover exports are excluded, British commercial vehicle exports have now fallen to the equivalent of less than 50,000 a year - and for 1983 will be only slightly higher than half of total imports (excluding four-wheel-drive vehicle imports)."

Export market conditions are unlikely to change much in 1984, it suggests, but the UK industry would continue to fight hard for business and should recover some ground.

"Motor Business" No 116 from the EIU, 27 St James's Place, London SW1A 1NT.

Sharp increase in gilt-edged sales

BY ANDREW TAYLOR

NET INVESTMENT in public sector securities by insurance companies and self-administered pension funds rose sharply in the three months to the end of September reflecting continuing government efforts to raise finance through gilt-edged sales.

In the first nine months of this year, institutional investment in public sector securities totalled almost £4.1bn compared with £2.4bn at the same stage in 1982.

Net investment by institutions in public securities of £1.87bn in the three months to the end of September was £729m more than in the third quarter of 1982.

Although higher purchases of

government stock occurred total net investment by insurance companies and pension funds slipped slightly in the third quarter, compared with the previous three months and the corresponding quarter in 1982.

Total net investment by institutions during the third quarter was £3.43bn compared with £3.48bn in the corresponding three months last year.

Lower investment in overseas equities and UK property accounted for a large part of the fallback.

Investment in commercial property, particularly by pension funds, has fallen by almost a third in the first nine months of this year as in-

stitutions have become more selective in their purchases against the background of sluggish rental growth.

Institutional investment in overseas equities - which had risen sharply earlier this year - on pre-election fears that a Labour Government might possibly be returned to office - has subsequently fallen. Net investment of £410m in overseas companies in the third quarter was £242m less than in the corresponding period last year.

Nevertheless, in the first nine months of 1983, investment in overseas equities of £1.97bn was £77m higher than in the first nine months of 1982.

THE WEEK IN THE COURTS

'Forum shopping' for English justice

AS A GENERAL proposition, a non-Briton who can establish jurisdiction against another foreigner by any method recognised by English law, cannot be turned away by the English courts, so long as he genuinely thinks that it will be to his advantage to come to the courts in England, and he is acting either oppressively or vexatiously.

Neither the parties nor the subject matter of the dispute need have any connection with England. There may be proceedings on the same dispute already taking place outside the UK, which may obviously be the more appropriate forum. The defendant may have to suffer great expense and inconvenience in being brought before the English courts. Never mind, the non-UK (as much as the English) plaintiff is entitled to obtain the ruling of the English court.

This very English rule was characteristically described by Lord Denning in terms bordering on jingoism when he said, "you may call this 'forum shopping' if you please, but if the forum is England, it is a good place to shop in, both for the quality of the goods and the speed of service." As Lord Reid in the same case said, that was all very well when inhabitants of this island felt an innate superiority over those unfortunate enough to belong to other nations.

Since then the courts have moved away from the insular doctrine and while not wholly adopting the policy of deciding which of two or more jurisdictions is the more convenient (which most other foreign courts adopt) the decisions reached differ more in theoretical approach than in practical substance. A recent Admiralty action demonstrates the movement away from the traditional approach towards an acknowledgement that all courts of the civilised world are equal in the eyes of English judges.

In the case of *The Abidin Dayer*, a Cuban vessel, *Los Mercedes*,

collided with the Turkish vessel *Abidin Dayer* when the two encountered high winds and strong tidal streams at sea in the Bosphorus in March 1982. After the collision, the Cuban vessel was arrested in Turkish waters at the suit of the owners of the Turkish vessel with a view to bringing proceedings in the Turkish courts.

Nothing further happened for a couple of months until the Turkish owners, in the ordinary course of their business, ordered a sister ship to go to England.

Upon arrival in England, she was arrested by the Cuban shipowners with a view to starting a second action, in which the Cubans would be the plaintiffs, claiming damages for the collision, on the basis that the Turks were at fault.

The Turks, not unnaturally, applied to the English court for a stay of the proceedings, on the ground that there was another forum to whose jurisdiction they were amenable - namely the Sariyer District Court at Buyukdere in Turkey - in which justice could be done between the parties at substantially less inconvenience and expense.

The Turks went on to assert that a stay of the action in England would not deprive the Cubans of any legitimate personal or juridical advantage available to them in England.

Mr Justice Sheen was clearly of the opinion that the existence of the extant proceedings in the Turkish court tipped the scales in favour of halting parallel proceedings in England. In short, he was deciding against 'forum shopping'.

When the case came to the Court of Appeal, the decision of Mr Justice Sheen was reversed, mainly on the basis that the judge had put too much emphasis on the prior Turkish proceedings in weighing up all the relevant factors.

The Master of the Rolls was quick to dispel any notion that he

and his brethren were reverting to the former insular approach. He expressly avoided any comment on the relative merits of particular costs: "That must be a matter of subjective judgment which I, as a judge of an English court, and an ex-territorial judge, do not feel that I should make."

But he did go on to conclude that the English Admiralty Court did possess a virtue denied to foreign courts, in that it had a vast amount of international maritime experience in the field, going back over the centuries.

To avoid any misunderstanding, Sir John Donaldson added: "While I do not doubt for one moment that Turkish courts have long maritime experience I doubt very much whether it is international or extensive. That is not a criticism, and should not be taken as a criticism of the Turkish courts; it is an accident of geography."

The English courts are situated on an island off Europe. That has led, as a matter of history, to their being involved in far more maritime disputes than Turkey or any country similarly situated. This all sounds dangerously like saying that the English courts are a better place to shop in, at least when one is considering disputes arising out of collisions at sea. It may not be casting aspersions on foreign courts, but it is to deny that in some respects foreign courts are as equal as the homespun variety.

Recently, the House of Lords (which itself gave leave to appeal) heard the appeal, and by not calling on the appellant to reply to his opponent's arguments has indicated that the decision of Mr Justice Sheen will be restored. The reasons why the House of Lords has so decided will appear early in the new year. The judgments are likely to dispel once and for all the notion that as between courts of civilised nations, there is to be any favouri-

tism, except the factors that operate to provide advantages or disadvantages to the disputants seeking to litigate in either or both courts.

Where then does the law stand today? The effect of a series of decisions of the courts - at least three of them in the House of Lords itself - is that, although 'forum-shopping' is generally regarded as undesirable, it is still the law that a mere balance of convenience is an insufficient ground for turning the plaintiff away from proceeding in the English courts, so long as the action is otherwise properly brought. A stay of the English action will, however, be granted if continuance of the proceedings would cause injustice to the defendant and a stay will not cause injustice to the plaintiff. Spelling out the two conditions, the courts must be satisfied about two conditions, one positive, the other negative.

The defendant must satisfy the court that there is another forum abroad to whose jurisdiction he is amenable and in which justice can be done between the parties at substantially less inconvenience or expense. The negative condition is that the proposed stay will not deprive the plaintiff of a legitimate personal or juridical advantage which would be available to him if he is allowed to invoke the jurisdiction of the English court.

The net effect of that reformulation of the English approach is not very far removed from the idea that courts should decide which of two jurisdictions is the more convenient to try the issues between parties to a dispute, nationality being only one among a number of factors to be weighed in the balance. Thus, and thus only will internationalism prevail in the field of litigation. Courts are as much open to all reasonable litigants as are the high seas.

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UK NEWS

Union membership still slipping but less sharply

BY PHILIP BASSETT AND DAVID BRINDLE

MEMBERSHIP of Britain's trade unions is continuing to fall, according to a Financial Times survey, although the sharp decline of the past three years may now be slowing down.

The survey confirms the expectation of the Trades Union Congress (TUC) that its affiliated membership will fall to around 10m, or nearly 50 per cent of the workforce, by the end of this year. While some of the falls in union numbers have been less marked than in previous years, the FT survey suggests that total TUC numbers are now below 10m for the first time since 1971.

As the basis for the payment of its affiliation fees, and now of the number of seats held by individual unions on the TUC's general council, the TUC takes a "snapshot" of union membership levels at the end of December which are traditionally used as the basis for annual comparisons on changes in union sizes.

The TUC's right wing will lose one of its automatic seats on the general council, according to the latest union membership figures - and the loss of a second is balanced on a knife edge.

Unemployment has pushed the total membership of the engineering section of the right-wing Amalgamated Union of Engineering Workers to below 1m for the first time since 1983.

Under TUC rules, seats on the general council are automatically held by unions with more than 100,000 members. A sliding scale then applies to larger unions.

Another right-wing union, the Association of Professional, Clerical and Computer Staffs, is also in danger of losing its single automatic general council seat.

The full TUC statistics are unavailable until about June, however, so the FT's annual survey, while less complete, gives a clear indication of how unions have been faring over the past 12 months.

Recession and consequent unemployment have continued to wreak damage on union membership. The continuing decline in the demand for steel, for instance, has been translated into an 11 per cent cut in the size of the largest steel union, the Iron and Steel Trades Confederation, down by 10,500 from 95,493 to about 85,000.

Textiles have also continued to be hit. The Tailors and Garment Workers' Union is down by 1,299, or 1.7 per cent, from 76,785 to 75,486; the Hosiery Workers' Union by 2,012, or 3.3 per cent, from 57,105 to 55,093;

and the Amalgamated Textile Workers' Union down by 4,054, or a massive 20.7 per cent, from 19,500 to 15,446.

This is principally because two sections of the union have decided to merge with the Transport and General Workers' Union (TGWU), while the majority of the union is in merger talks with the General Municipal and Boilermakers' Union (GMBU).

Mergers have been a complicating factor throughout the year which make some union figures look more impressive than in fact they are.

Last year, membership of the TGWU stood at just over 1.5m. The last figure reported to the TGWU's general executive committee was 1,555,230. This year, however, the TGWU's figures include for the first time the old Dyers' and Bleachers' Union (last figure, 59,966) and the old Farmworkers' Union (70,000). Stripped out of the TGWU's overall figure, these put it now at about 1.42m - a "real" loss of about 5.1 per cent, or nearly 78,000 members.

Some unions have managed to retain real growth - though they are few. The Banking, Insurance and Finance Union now claims 155,428 members, 3,443 or 2.3 per cent up

Print union faces new trouble

BY DAVID BRINDLE, LABOUR STAFF

THE National Graphical Association, the leading print craft union, is facing serious unrest among its members at the Wolverhampton Express and Star, one of the UK's most technologically advanced provincial newspapers.

Members of the print union in the paper's composing room chapel (office branch) - where jobs are under direct threat from computerised typesetting techniques - have ousted their leader, a member of the NGA's national council, and circulated a statement noting growing resentment towards the union and blaming this on policies decided at national level.

One such policy was the proposed 24-hour national printing strike called by the NGA to further its dispute over the closed shop (compul-

sory union membership) at the Stockport Messenger. Before the strike plan was suspended, the Wolverhampton chapel voted to work normally, in defiance of any national union instruction.

It is believed that some members of the chapel have approached the management to seek reassurance that their jobs would be secure should they face the loss of their NGA cards.

The Wolverhampton Express and Star was the first provincial evening paper to introduce an "electronic newsroom" by agreement with the unions. Journalists use visual display units to write their stories, but the copy is then printed out for NGA members in the composing room to re-key into the production computer.

The role of the printers could now easily be by-passed: indeed, management produced a paper every day except one during the 1980 NGA dispute when union members at Wolverhampton were suspended.

Unrest in the printers' ranks centres on the fear that the union will involve them in a dispute which management will use as an opportunity to dismiss them. One said: "Some think their jobs are safer if they side with management rather than with the union."

If the NGA were to lose its 100 per cent membership in the Wolverhampton chapel, it would be a major blow to the union's plans to dictate the pace of the introduction of new technology in the provincial and national press.

TUC calls for tax evasion clampdown

Financial Times Reporter

A CALL for a clampdown on tax evaders has been made by the Trades Union Congress (TUC) in its response to the findings of the Keith Committee on the powers available to tax officials.

While welcoming the "balanced approach" of the report the TUC states its concern about the economic and social consequences of the growing black economy, which it says now pervades all social classes.

However, it notes an inequity in the Government's own position in relation to other forms of fraud: "There is, for instance, a much higher rate of prosecution of people defrauding the social security system, despite the significantly smaller sums of money involved."

British mechanical engineers recover

BY PETER BRUCE

BRITAIN's mechanical engineering industry is on the threshold of its first sustained recovery in output for more than 10 years, the Engineering Employers' Federation (EEF) forecast yesterday. Sales volume is expected to increase by about 5 per cent between the last quarter of this year and mid-1985.

The forecast points out, however, that even with such an increase the industry's output in mid-1985 would still be lower than mid-1982 and some 14 per cent down on 1980. The rise in output, the EEF says, should result from relatively slow growth in domestic sales and more rapid increases in export volume.

The federation says the strong export improvement of 9 per cent in the next 18 months should result chiefly from greater demand in export markets with some gains in UK cost competitiveness. It warns, however, that "there is a distinct possibility that mechanical engineering exports could develop much

more weakly than indicated by our forecast" if the debt burden on developing countries is not eased.

Although the mechanical engineering industry's trade surplus is expected to drop from £2.9bn to £1.9bn this year, with exports to the European Community falling 15 per cent, and to the rest of Western Europe by 23 per cent on a third quarter comparison, the EEF maintains that the more recent trend is for exports to increase at the expense of imports.

This pattern, the federation says, should continue following the rapid growth of the U.S. market and manufacturers there will be hindered by the strong dollar.

Home sales are forecast to rise only 3 per cent over the next 18 months. This is substantially lower than the expected increase of around 7 per cent in manufacturing investment because of pessimistic investment projections for the non-manufacturing sector.

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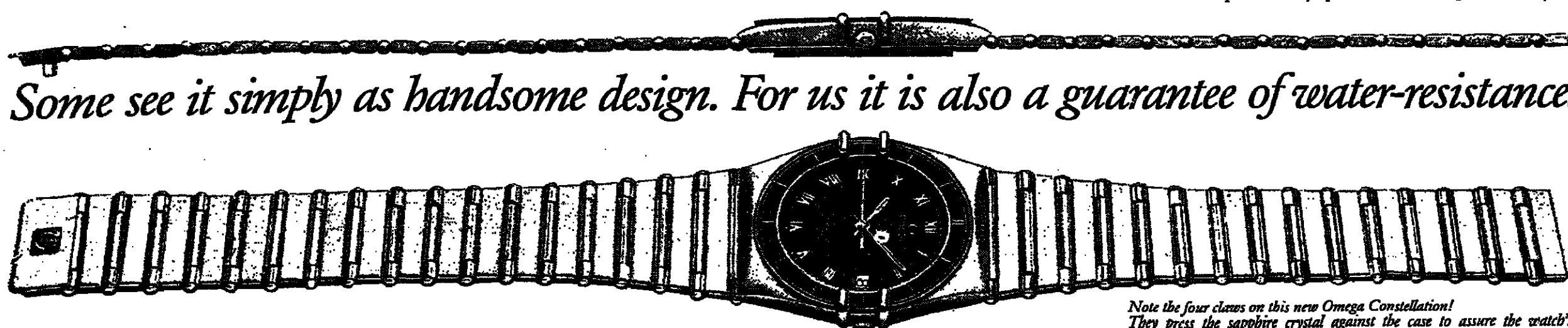
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MANAGEMENT

The finance director of a medium-sized engineering company in the North-West, who first wrote on this page on February 28, sends another instalment...

"This year we had no choice. Either we started to make a profit or the dole queue beckoned us all. Our survival at the point where we could not consider profit has been the expense of considerable losses, which still go on. The economic recovery has not exactly passed us by and production volume in 1983 is likely to be 2 or 3 per cent higher than last year. This has been a big help, but, even so, far less than our own efforts to secure the future of the company.

Survival, we now see, is not enough. We have clawed our way back from the edge, but the ground may yet open beneath our feet. We are still very vulnerable. Defying economic logic, we have paid wages and salaries increases of around 5 per cent. This is far more than we are getting in price rises for our products and is only possible through the sacrifice of those who have been made redundant, plus the slight upturn in the economy. If the economy falters, then the precipice will again loom.

We have reduced stocks of all kinds by around 75 per cent. This has brought enormous benefits to cash flow, but little or none to the manufacturing process. Extra sales of any quantity are passed straight on to the works. If the works cannot respond immediately, then customers go elsewhere. If there is any hold up in output either through machine breakdowns or industrial relations problems, there is an immediate impact on service levels. We no longer have a stock cushion to fall back on. As our customers have also reduced their stocks, the slightest upturn in demand which passes through the various stock control systems is exaggerated to big dipper proportions.

There must be a better way to service customers' demand. This has brought manufacturing flexibility and the consequent high costs, but so far we have not found one. The alternative of rebuilding large finished or even semi-finished goods stocks is unlikely to happen at all in the future. Our cash position will never allow it.

We are now conditioned to repeating each month the tight control over performance and cash which we thought at one

time could only be applied in exceptional circumstances. If anything does go out of control, even for a short time, it could spell disaster. We are surviving with all the vulnerability of a poppy blooming at Christmas.

A further, and even more demanding objective than sheer survival is being pushed on to us. We must compete nationally and internationally if we are to prosper in the long term. While the French and Germans may not frighten us completely, the Japanese and other Far Easterners certainly do. To cope with them we need different attitudes, enhanced skills and above all new equipment. We are in a race to use our increasingly obsolescent plant to create enough profit and cash to reinvest in new technologies, before the Far Eastern competition overwhelms us. What do we need to do for ourselves and what help might we expect from others in order to win our race?

1—A creation of attitudes conducive to successful investment. In retrospect our survival tactics were straightforward and comparatively easy. Nothing concentrates the mind of an industrial manager more than the imminent demise of his company and his job. Successful investment, however, needs much more than the ability to reduce people and costs generally to an absolute minimum even though we must have maximum profit and cash to reinvest.

New technologies will inevitably lead to fewer jobs if a major rise in volume is not achieved. Selling this idea to unions, punch drunk with redundancies, is not easy. We have yet to convince our local staff that the alternative to new attitudes and new investment and perhaps fewer jobs, may mean no jobs at all. Their emotional response, which occasionally seems to be to get all possible cash before everything collapses, is understandable if it is possibly short-sighted.

One thing that we have learned is that the long-term change in union expectations about pay and job security cannot be handled through the traditional joint consultation processes. A constant chipping away by senior management is far more important than the Personnel Manager having tea with the works convenor. As in many other activities, service function may actually get in the way of progress.

While survival was at stake, middle management was told what to do rather than asked to participate in decision-making. Reducing costs and conserving cash need no discussion. We will now require

'Survival, we now see, is not enough'

The frontline of British industry, for some, remains a battlefield



to change from trench warfare to something more like the open battlefield. Our military leaders found it difficult to accomplish successfully from one war to the next. We may have the same problem.

2—The outside world. If we fall over we know that no one will pick us up. We do not expect it, even though our workforce seems to take much of its expectations from the outside world, rather than from its internal situation. What pay settlements Ford gives its assembly line people is important, but more significant still is what the local refuse collectors are paid. The pay rates of institutions, organisations and functions not subject to competitive pressure have been a tremendous problem to us in the past three or four years.

Institutions apparently favourable to industry seem not to redress the balance. As we complete the CBI questionnaire on outlook each month, we wonder why some of the harsher facts of industrial life since 1979 are glossed over in the support which the CBI gives the Government.

Of course, we would like lower interest rates, but increased economic activity, charge more and more for over-

drafts and loan facilities. Of course they have launched lifeboats for some companies but only after they have been partly responsible for sinking the ship. When the history of these times is written, the UK banking system will surely be seen as hindering rather than helping to keep industry alive.

Hence, we feel that, if at all possible, we should generate our own cash to enable us to re-equip. Only as a last resort would we use the banks. One thing we do is to ensure that every possible Government incentive and grant comes our way.

3—Cash for investment. The anguish we have gone through makes us very reluctant to have large deals with the banks. It rings true to us that high interest rates and currency over-valuation have been used by the Government to reduce inflation. While our ability to export profitability has been seriously diminished, the banks have grown extremely prosperous by being able to charge more and more for over-

technological possibilities and alternatives—robotics, micro-processors, automation, flexible manufacturing systems, etc. These seem less important than the reasons why investment is needed. Pure short-term economic considerations must dominate. We must be economically competitive. From then on the reasons for investment will be to:

1. Lessen delivery lead times, and improve customer service; 2. Improve product quality and improve material utilisation; 3. Get more control over the business.

The activities which most need changing are those where skill levels are low and repetition is high. We do not need earthquakes or revolutions. We have had too many of them. Change in manageable steps within a short time-scale seems the key—where good control is possible. Grandiose schemes with long term pay-backs would be anathema.

We are rather sceptical of the vast amount of "information technology" which is now available. Eliminating words completely, rather than using a word processor, seems the right way round. Reorganisation to

get around the need for "local area networks" is again a priority we are following.

5. Skills acquisitions. To some extent we are all obsolete. Business orientated engineers with degrees in electronics and specialising in computers are apparently what we need. The world outside still seems to prefer "Ethnic Minorities Advisers (£10,539-£11,703)" and the like, suggests our search for people with the right education and experience could be long.

We would consider using the skills in local universities if they fitted in with what we want, were strongly cost-conscious, and if some of the senior personnel did not use the opportunity to maximise consultancy fees and gain a PhD at the same time. Industry is no longer a milk cow. Help from this source is still a strong possibility, however.

We have a sneaking feeling that we have already bought at some expense our most important skill—the will to succeed. It can be allied to the ability to take some risks, so much the better.

The management of the production system on a day-to-day basis is largely in the hands of first-line supervision. New technologies will have greater impact on them than on any other part of the organisation. Technical competence and man management skills do not always sit easily together. If their jobs do not have well-defined accountabilities and the associated authority to achieve them, we can only expect turbulence in our manufacturing activities. We are rethinking the role of first-line supervision and how it can be made more effective. If retaining has to start anywhere, it is at this organisational level.

6. Union cooperation. Our unions appear to want "proper training and retraining, incentives, and reasonable pay and job security." We can offer the first two but not necessarily the third. If change is going to be constant and demanding in the future, we need to develop methods of consultation and payment systems which will help to promote rather than hinder change. We have briefly considered adding value, sales value of production and cost improvements as the basis of payment schemes. The main drawback is getting the workforce to relate to such measurements of performance. Team based incentives seem only a start on a long road.

If our unions would like to be involved in debating—even helping to decide—some investment

decisions, then they should be prepared to accept both the rewards and punishments of these decisions. To an extent, this is what has already happened. The people who have left have had to accept the ultimate of hard times. It is perhaps unfortunate that those who have retained their jobs soon appear to forget those who have gone. Redundancy is a threat which should be used sparingly. The older employees, and perhaps the least efficient, know that they can always challenge anything other than "last in, first out" as a basis for redundancy.

7. Accounting. The accounting function has also had its share of redundancy and change. Chartered views on what the role of accountants should be have been altered. The function has become more shrewish, juggling the rest of the company to tip the conventional view of financial data upside down, and consider the results we would like to achieve. Then we work back and determine what revenues we need and costs we can incur if the desired results are to be realised. This "backward" way of working has been christened by line managers as "backward" irritation, as accountants bicker everyone into realising what results we really do need and expect.

8. The future. To start thinking about the future at all is a luxury we have not permitted ourselves for some time. It is very early in the process, but some of the projections we are making might be interesting:

● It is extremely unlikely that our workforce will grow to any degree in the next three to five years.

● While we may not create more jobs we will have to struggle extremely hard to maintain even current employment levels.

● Any economic recovery is only a bonus to our own efforts. To succeed at all, we will need to achieve levels of skill, efficiency and dedication which seem uncommon in the economic sectors not facing international competition.

● Largely we will have to rely on ourselves.

We still have a strong belief that manufacturing activities appear to be out of fashion, but we are not out of fashion. The balance between the export and import of manufacturing goods has gone by with little national comment. If we fall I suppose we could all join the services sector and perhaps become investment consultants, advising clients on what Japanese shares to buy. Then what happens when North Sea oil runs out?

TECHNOLOGY

THE BRANCH EXCHANGE AND THE COMPUTER ARE SQUARING OFF FOR THE OFFICE WAR

'The telephone is the bridgehead'

BY GEOFFREY CHARLISH

MANUFACTURERS ARE drawing their battle lines for the first war of the electronic office—will it be based on the telephone exchange or the office computer?

"In the battle for the executive's desk, the telephone is the bridgehead," Mr C. Ellis, Technical Marketing Director of GEC Information Systems, told a conference in London recently. He argued that executives will not spend more than three per cent of their time looking at a screen—a view which runs counter to the ideas of many computer makers who are looking for substantial profits from desk-top computer systems.

What are the arguments on each side? For years, those responsible for complementing and managing telephone communications in most sizeable companies—the telecommunications managers—had little or nothing to do with the data processing managers, dealing with the newer data communications systems.

What is more, the manufacturers offering telephone exchanges had been doing so, in some cases, for nearly 100 years. They bore little or no resemblance to computers, often only a year or two old, offering data transmission and switching systems.

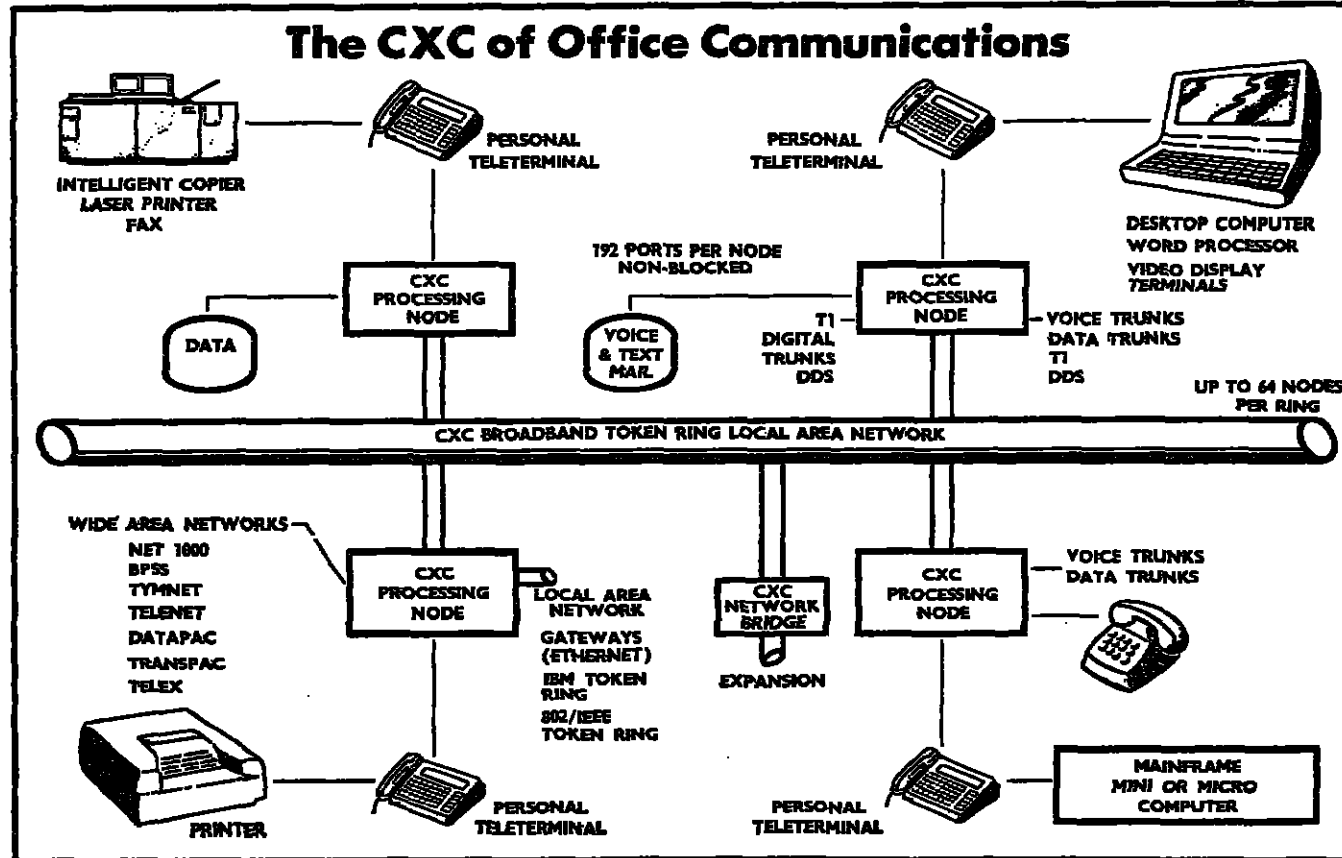
But that began to change in the middle 1970s as it became evident that within a decade or two the communications world would become all-digital.

Tomorrow's systems will be able to handle speech, facsimile, television signals and any other information in just the same way as computer data—by the increasingly simple act of digitising it to make it look just like the output of a computer.

So it ought to make economic sense to integrate all the communications functions into one "box" and send them over the same wires.

But what sort of "box"? The views likely to be put forward by a telephone company may well conflict with those of the computer firm.

Mr Ellis's view is that over 85 per cent of the computer data entering and leaving the average executive workstation will carry voice. Senior managers he believes, spend 15 per cent of their office hours on



the phone, but will spend only 3 per cent looking at a screen.

Within a site, GEC sees a future based on the latest exchanges with digital transmission right to the user's desk via an "integrated services local network" or ISLN.

ISLN will be the local equivalent of ISDN (integrated services digital network), a planned BT national service that will provide publicly switched digital voice and data over one pair of wires to the customers' premises; a pilot service is due to start in mid-1984.

Two levels of the local network are foreseen. One will deal with voice and still pictures. The other will cope with full moving video for video conferencing and perhaps video phone (if a market can be identified).

An indication of the trend in the U.S. was given by Bob

Hawk, vice-president for planning and marketing at CXC, a two year old Californian company that has raised \$23m of venture capital to enter the market from scratch with fully integrated products.

Hawk is from AT&T and the other board members are all from computer or telecom majors. "We targeted various companies and individuals," said Hawk. The technical and management teams have been gleaned from Rolm, Northern Telecom, Bell Labs, IBM, Burroughs and Univac.

The CXC product, called Rose, amounts to a distributed telephone exchange, deploying proprietary VLSI (very large scale integrated circuits).

Distributed round a high capacity local area network are up to 64 "processing nodes," each in effect a very modern private exchange.

Each node—they might be on the various floors of a building

for example—deploys what CXC calls "per line switching." This is a method, claimed to be unique, of integrating voice and data on the lines, each of which supports 192 kilobits per second in two directions. Each of the nodes can deal with 192 of these lines or ports and so it is unlikely a call will be held up. In the jargon, the switch is "non-blocking."

The switch nodes are connected in two ways. For "in-house" communication Ethernet is employed, while for the bulk data CXC has developed a proprietary broadband (high data rate) approach based on a radio frequency cable TV technology.

Connected to the network are a variety of workstations, some with displays and some without which the company describes as "truly advanced data, text and voice workstations." Placing a data call is little different from a voice call,

except that the user pushes a key marked "data."

In addition, the system can support call logging (voice and data), text message transmission, voice store and forward, text store and forward and even building security/energy management. There are, in addition, interfaces for connecting wide area networks that use international standards.

At the typical workstation the user has a telephone "dialling" keypad, a 30-key alpha numeric keyboard for text entry, an 80 character liquid crystal display and a number of function keys; six of these are "soft," that is, they do whatever the display immediately above says they do. This enables the user to be given the most appropriate choices or instructions, dependent upon his current use of the terminal.

"It is a system," claims Hawk, "that can accommodate the future whatever happens."

FIFTH GENERATION COMPUTERS

Japan installs first inference engine

BY ROY GARNER IN TOKYO

Machines which can make logical decisions or inferences will underpin research into "intelligent" devices. Japan's programme is developing quickly.

JAPAN'S INSTITUTE of new generation computer technology (ICOT), which is at the forefront of the nation's work on the "fifth generation computer," has taken delivery of the first prototype sequential inference machine marking a significant milestone in its work on "logic programming."

An ICOT spokeswoman commented that "the research environment will be greatly enhanced" by the new Personal-sized experimental model, which will facilitate the implementation of logic programming on hardware and will serve as

a basic tool for work on "expert systems."

The new machine is one of three which have been constructed by Mitsubishi Electric, one of the other two machines will be delivered to Fujitsu for use in software development, and Mitsubishi is expected to retain the third.

A Mitsubishi spokesman said that the development of the new machine is on schedule and going well, adding that the company is very interested in marketing an improved version at some point in the future, following its assessment by researchers in the ICOT project.

Mitsubishi developed the new prototype in just nine months, following the delivery of design specifications from ICOT in March this year.

The director of the ICOT project, Kazuhiro Fuchi, originally defined the development of a sequential inference machine as one of the main goals of the first three-year phase of the fifth-generation project, and in this sense the new machine's arrival represents a measure of firm progress in Japan's "future computer" development efforts.

CRUDE OIL RECOVERY

Dunlop's flexible pipe

DUNLOP HAS developed a flexible pipe capable of holding crude oil as it surges at high pressure and temperatures from wells under the ocean.

It claims it has done so because of the oil industry's wish for a greater range of suppliers of high technology flexible tubing. At present, the French-owned Coflexip company has a near monopoly in this field.

Called "Armaflex," the new Dunlop product has completed six months trials on two North Sea oil fields and is designed to assist the oil industry's efforts to exploit marginal fields and new fields in deeper water, where floating production platforms are being considered.

Dunlop's Grimsby-based Oil and Marine Division is spending £1.8m on facilities to produce the pipes in lengths of 100 feet and 150 feet. Another

"Armaflex" factory is being planned, in North East England or Scotland, to make continuous lengths of up to 1,000 metres for sub-sea lines.

The 100 ft lengths are already available and the 150 ft lengths will be supplied early next year, when the current bore sizes of 2 in to 6 in will be supplemented by bores of up to 10 in.

Dunlop says Armaflex is capable of carrying crude oil and drilling fluids with varying levels of gas and sulphur content at an extended temperature range from -20 degrees C to 130 degrees C. It requires no special pipe coating to improve on its thermal insulation properties.

While the company is currently seeking sales in the North Sea, it is also looking at other offshore markets.

MAURICE SAMUELSON

IMI

for building products, heat exchange, drinks dispensers, fluid power, special-purpose valves, general engineering, refined and wrought metals. IMI plc, Birmingham, England

ENVIRONMENT

Clean water in Peru

VILLAGES IN a remote part of Peru are the testing ground for a new water-purifying technique that could make life more healthy for millions of people in the developing world.

The villages, in the Andes mountains, have received hardware built in Britain that, so its inventors claim, makes water from rivers or lakes drinkable but requires only the minimum of maintenance.

The system's main feature is a mat of fabric developed by microbiologists at the University of Surrey. This sits on top of a bed of sand in a large tank, into which flows water from a source such as a river.

Impurities

Inside the tank, the sand filters impurities from the water. Gradually the mat acts as a "box" for bacteria which are present naturally in the water and which help in the cleaning process.

In conventional sand filtration, a technique that has been used for centuries, the material quickly becomes clogged with dirt. The sand must then be cleaned by forcing clean water through it in the reverse direction. But this removes the layer of bacteria and whoever uses the filter may then have to wait several days before the bacteria "reseed" themselves.

According to Pender Environmental, a company in Bridge Water, Somerset that sells the hardware, as a result of the mat the system will work for years before it needs cleaning. That reduces costs and increases the reliability of the equipment, particularly in Third World countries where maintenance may be difficult.

Pender says that a system of four tanks—each containing filters will purify enough water to meet the needs of a village of about 1,500 people. Such a system costs roughly £10,000.

Television/Chris Dunkley

1983: A watershed for television

You might argue that the really important television events of 1983 were the 1,000th edition of *Top of the Pops* in May, and the 20th anniversary of *Dr Who* in November. If more proof were still needed of the error of the claim that television is an "ephemeral" medium, these surely provided it. Technical advances aside, *Top of the Pops* scarcely changed in all those 1,000 programmes, and even though *Dr Who* has been through five incarnations since 1963 the stories are so similar that it takes a seven-year-old fan to tell whether you are watching a new episode or a repeat.

However, when we come to the year 2000 (fewer than 6,000 days to go) and look back at the history of television, we may well see 1983 as a watershed. As history progresses, the years between the Second World War and 1983 may appear more and more like an anomaly: the peculiar period when the only way of delivering television pictures to the home was terrestrial "broadcasting" via wavelengths so scarce that they were controlled directly or indirectly by government agencies.

Channel 4, which completed its first full year in 1983, will surely prove to have been the last nationwide network launched in Britain using this system. It started the year with just under 4.5 per cent of the audience and ended the year with just over 4.5 per cent. But in November the Government announced the first 11 licences for cable television systems not limited to supplying BBC and ITV programmes. Although at the end of the year the BBC was back-peddling furiously on its plan for direct broadcasting to the home by satellite (DBS) 1983 was also the year when the Government promised DBS to commercial television.

Moreover, 1983 was the year when the number of homes capable of receiving their own television schedules thanks to possession of a videocassette recorder (VCR) reached 92 per cent in Kuwait, 82 per cent in Panama, 68 per cent in Singapore and — more significantly since it means national ownership of some 5.7m sets — 30 per cent in the UK (according to the first survey of VCR ownership published by InterMedia in September).

In 1983 the effects of these new technologies was already dramatic. For instance, 67 per cent of feature film viewing in the UK was being done in the armchair in front of the VCR, and only 3 per cent in cinema seats. Furthermore, cable, satellite and video have two characteristics which make them fundamentally different from wavelength broadcasting: they put choice into the hands of the viewer instead of the broadcaster, and they are thoroughly international.

By the end of 1983 the question whether either of these factors was a good thing was already being hotly debated. Around the globe worried men in public service broadcasting organisations were warning against the horrors of what the BBC called "wall-to-wall Dallas." This phrase could hardly be intended to condemn Dallas, since it was the BBC itself which reported the programme to Britain and screened it in peak viewing time to win one of its biggest audiences.

The condemnation was presumably for the anticipated "wall-to-wall" nature of cable offerings which, the public service people feared, would entice away their precious audiences by offering nothing but Dallas and its ilk: no serious current affairs, no orchestral music, no mind-improving children's programmes, no religion or education.

As 1984 approached (the miniature television industry exploiting Orwell's famous

Alan Bates in *An Englishman Abroad*

futurist novel started as early as August 1983 with a third-rate BBC-1 programme presented by Walter Cronkite) the question looming with increasing insistence was whether there would be a serious campaign to legislate for the protection of British culture against the anticipated waves of international admissibility threatened by the new television technologies. Belief that such barriers would be wholly contrary to Britain's long and proud history of freedom of expression and consequent cultural heterogeneity and assimilation was seriously shaken in the autumn of 1983.

Egged on by a hysterical Press campaign directed against a tiny number of titles described as "video nasties," MPs started bringing in a Private Member's Bill to introduce — for the first time in the history of England — pre-censorship for material intended for use in the home. Although its very spirit was utterly at odds with the Thatcher Government's declared beliefs in individual freedom, although it was designed primarily to usurp the power of the parent and interpolate the power of the state (a fulfilment of Orwellian fears rationalised, of course, by claims to have only the best interests of children at heart) it showed all the signs of imminent success. As 1983 turned ominously into 1984,

But legislation or no legislation, watershed or no watershed, what seemed clearest at the year's end was that we had more television than ever before made available to us in 1983 and would be offered yet more in the years to come. As to how much would be worth watching, however, a glance backwards was not encouraging. For example, 1983 had seen the introduction of breakfast television, and not only by ITV but by the BBC which rushed into the air a fortnight ahead of the opposition. The BBC programme was marked not so much by "massive" to "explain" as Peter Jay declared for TV-am, but mostly by a mission to win the ratings war. This the BBC did with Frank Bough in a woolly pullover introducing the programme, and news headlines.

When TV-am did appear the "Famous Five" — Anna Ford, David Frost, Robert Kee, Michael Parkinson, and Angela Rippon — were quickly, quite ludicrously quickly, adjudged a disaster. Within weeks Ford Rippon had been sacked, Frost had gone, and the programme had changed beyond

recognition. A cartoon character named Roland Rat was promoted in a desperate bid to see whether an appeal to children could save the day. By the year's end TV-am was reinforcing the old adage that nobody ever went broke underestimating public taste.

Channel 4 also swelled the host of output in 1983. Its public reception continued to be pretty hostile and as the months passed changes occurred: *Broadside*, which had provided one half of the boasted "women's" current affairs output, sank in a sea of recrimination and the other half, *20-20 Vision*, lost its weekly slot at the end of the year though it seemed that more was to come from the same group in a different form. *The Friday Alternative* proved altogether too alternative — more the pity — and *Channel 4 News* was resented in a mood closer to that of the rest of ITV's programmes. CA's chief executive Jeremy Isaacs bemoaned the difficulty of finding right wing programme makers.

As to the quality of programming rather than the quantity, 1983 was one of the worst for a long time. There was desperately little good comedy of any description: situation, stand-up, one-off, series, serial or any other sort. BBC's *Blackadder* starring Rowan Atkinson was an historical spoof of limited duration, though not limited enough. Jasper Carrott returned with a live series, Carrott's Lib, also on BBC, and in November Channel 4 started the series *Struggle*, written by political journalist Peter Jenkins. Poking fun at a trendy left wing council which perpetually finds itself at odds with its own feather bedded workforce it did at least prick the skins of a few sacred cows. There was, however, nothing really new in comedy, nothing truly brave.

Practically all the good documentary series were about warfare: *The Spanish Civil War* and *Vietnam: A Television History* on Channel 4, and *The Parole* from BBC. Orchestras from BBC in April provided what we had previously only suspected: that Jane Glover can combine enthusiasm and explanation in such a way as greatly to enhance the subject, a knack possessed by Clark and Bronowski and still best exemplified by Attenborough. "American mini-series" — *Roots*, *North and South*, *Shogun* — sloped across the Atlantic in ever larger lumps, most of them more exhausting than exhilarating. *Masada*, *The Blue Grey* and *The Winds of War* all contained

considerable longeurs. The best "American" series, *Kennedy*, was made by Central TV, a British company. The rest of Britain's television drama was, for the umpteenth year, more impressive in serials than in single productions though late in the year the BBC gave us two marvellous single dramas within a week. *An Englishman Abroad* directed by John Schlesinger and *The Blue Dress* directed by Peter Hammond.

Other better serials were BBC's *The Citadel* with Ben Cross as a campaigning doctor and then a cynical doctor; *Anglia's* detective story *Death of an Expert Witness*; Thames's amoral but slick *Widows: Confessions of Felicitas Krul* and *The Nation's Health*, both on Channel 4, the first sexy and the second single minded in its opposition to conventional medicine; *Rumpole of the Bailey* from Thames; BBC's excellent Molly Keane adaptation *Good Behaviour*; and BBC's downbeat thriller *Spyglass*.

The sole variety series worth mentioning was *Live From Her Majesty's*, presented for Thames by Jimmy Tarbuck.

But there are three BBC factual programmes which should go on record: *People and Power*, a promising series disappeared almost as soon as it was launched thanks to the BBC's internal logistics; *Court*, which made current stories about the law fascinating; and *Rough Justice*, which actually began to get wrongs right.

Had I a set of gold envelopes and some zinc stouts to dish out, my awards would go to *Newsnight* as Programme of the Year for sticking to its last and showing that millions of people will watch a good daily current affairs series if it is done well enough; to the BBC's *Shackleton*, for continuing in the brave, difficult and tedious tradition of drama-documentary shot on location; and to *Quilts in Women's Lives* for exemplifying so many of the current trends in television — feminism, pompousness, and minority appeal. Its saving grace was that in the event it was also quite interesting.

As for *It was a crowded year*, special mention would have to go to the ITV double of *Studio and No Excuses*, a couple of ghastly drama serials designed to cash in on young people's interest in rock music and to the BBC's *The Cleopatra* which showed that the *Borgias* had really not been as bad as we thought.

Peter Pan/Barbican

Martin Hoyle

The only English king to earn the name of Great did it by letting cakes burn. The greatest British literary pioneer who charted the subconscious and infant sexuality did it, unwittingly, in a children's play. Perhaps our genius is for the domestic and intimate; or, more sinisterly, there is an obsession with the fleeting golden age of childhood where the red-eyed wolves of the mind, as seen prowling across the Barbican stage, can be put to flight more easily than the perils of reality.

"I don't know whether you have ever seen a map of a person's mind," wrote J. M. Barrie precisely when Freud was trying to mark out such territories. His *Neverland* — a misnomer for the perpetual inner landscape we carry round with us — always contained "marmalade and chocolate pudding days." Knowledge of Barrie's emotional stunting in his attempt to replace his dead 13-year-old brother is not necessary for one to realise that this is a play, not about the loss of innocence but about its retention, which can be even sadder.

Barrie saw his immortal child as a threat to normality. "There never was a happier family... until the coming of Peter Pan," he warns us in the person of Edward the Prince, who is a Victorian more like a native of Tamoochrae than (Thurms), though the Edwardian audience was happily unaware

of the Oedipal overtones of father as villain to be killed and the combining of Wendy's mother-wife functions. Even the return to London from Neverland sees the desperate continuation of fantasy.

Y hasten to add the children loved it. Tinker Bell's medicinal ripple became a thunderous ovation and Peter's lament was accompanied by sobs from at least one young member of the audience. Mark Rylands handles the name part with sugar-tongs: he should enjoy it more. Stephen Moore plays the Hook-Father double entirely for laughs, with little hint of menace, and Katy Beahan's Wendy is shrilly bossy when not sounding like a Jackanory presenter — the RSC are right to tone down the tweeness, but the central couple emerge as charmers.

Wendy's bedtime story to the lost boys slithers into Mabel Atwell's cuteness, from which Michael Fitzgerald's Slightly, the right mixture of the vulnerable and the truculent, is beautifully exempt. (How insufferable the young Noel Coward must have made the part.)

The whole of John Caird's production — John Napier's reviving dreamworld lit by David Harvey — is greater than its parts. The RSC are right to treasure it: if the play were by Maeterlinck it would be considered a masterpiece.

Cinderella/Covent Garden

Clement Crisp

Among the inevitabilities of the season — log-jams of urban traffic and tuneless pipings at the door about King Wencheslas — let us number *Cinderella* with the better things, especially with Antoinette Sibley and Anthony Dowell at the Opera House of Ashton's happy version looked well-prepared; the Prokofiev score was as magical as ever in buoying the tale on a sea of melody; ecstatic children in the audience were clearly seeing every fairy-tale image come true. One little girl was so bewitched by Miss Sibley's dancing that she wandered down an aisle for a closer look, and I salute her as an infant critic, for this was the real delight of the evening.

With each succeeding season Miss Sibley's portrayal seems truer, more sincere, more radiantly touching in drama and dancing. There is an irresistible combination of tenderness and tragedy in her first scene in the kitchen which culminates in a statement of the solo with the broom that rejoices in showing the nuances and tiny accents of the variation: it is dancing of the sweetness, happiest authority. And in it, as through-out the evening, the lovely clarity of the choreography asserts the very best qualities of the English manner — an unstressed bravura, a lyricism that is not unduly modest but

understands the exact limit of the dance's range. In its put of tone in the admirable pining and spacing of effects the ball-room solo and the de deux, it is easy, noble, always beguilingly musical. Dancing of such freshness merits and receives in its performance, its ideal response Anthony Dowell's Prince, handsome in bearing as in technique. It sets standards which will also be admired in appearance of the season for Karen Palsey, Genesia Ross, Wendy Ellis (superbly precise as Autumn) and Pippa Wilde, and in the charm of Deirdre Eyden's Fairy Godmother.

A problem remains, as several years past, in the presentation of the Ugly Sister. Derek Rencher and Michael Coleman are assured artists; other roles, but the wild logic which sustained Ashton's Helpmann's characterisation is long gone. Mr Coleman plays the Ashton's sister as a myopic white mouse; Mr Rencher flares and flouts rather less blatantly this season, at no time could I believe them (as I believed in the original cast) as grotesques rooted in any emotional reality whose affections were genuinely comic because genuinely felt. If the sister needs to claim that significant part in the dramatic action the need to be re-thought and dressed.

Hi-De-Hi/Victoria Palace

Chris Dunkley

This Christmas show is not a pantomime and unlike some other non-pantomimes it does not pretend to be a comedy. There is no dame, no principal boy, and no triumph of good over evil. More significantly there is practically no plot. What is happening at the Victoria Palace is less a drama than a social phenomenon: the ideal reviewer would be somebody from New Society seated on the stage and watching the audience. This is a celebration of television fame.

For readers just back from darkest Africa it should be explained that Hi-De-Hi is BBC Television's popular comedy series about a 1950s holiday camp, written by Jimmy Perry and David Croft, the team who previously invented those other

nostalgic series *Dad's Army* and *It Ain't Half Hot Mum*. It stars Simon Cadell as archaology professor Jeffrey Fairbrother, slumming it as entertainment officer at Maplin's Camp; Ruth Madoc as chief Yellowcoat, Gladys Pugh a passionate Welsh girl who gets about nine vowels into "Fugh" and who falls desperately for Jeffrey; Paul Shane as Ted Bovis the rough diamond stand-up comic; and Su Pollard as Peggy the chaste maid with stars in her eyes who dreams of becoming a Yellowcoat. This season the series has been watched by about 10m viewers.

Now they are offered the chance to see these characters in the flesh, and clearly a large number are delighted to accept. Thus the keynote of the evening

is familiarity and to this extent the atmosphere is not unlike that of pantomime: only too happy to co-operate in the fiction of being campers. The first night audience responded to Paul Shane's very first about of "Hi de hi" with a roof-raising "Ho de ho!"

Furthermore, every foible and failing of every character — Peggy's pathos, Ted's trickery, Jeffrey's ivory tower naivety — seized on with delight by an audience well programmed before entering the theatre to supply the requisite responses. The relationship between cast and audience is like that in a music hall full of regulars.

This being so it will probably be unimportant to most

customers that the stage while it glitters is wholly unambitious (a single truck of an office which is wheeled on and off in front of the working band who spend the evening on stage) and that the writing and plotting is laid lustre to the point of laziness. The cast, including guest stars Warren, is vigorous enough but two of the big production numbers consist solely of bringing each familiar character of stage in an outrageous costume and then getting them off again. The show is that Perry and Croft's television plots are often impressive. Here only three of four minutes in a sketch about smashing blackmail photographs matches their inventiveness on screen.

Dash/Dominion

Malcolm Rutherford

There is a great deal of pleasure to be derived from Wayne Sleep's *Dash* at the Dominion. Anyone who likes dance, theatre, spectacle, and the use of lighting should go and see it.

To give only one example: there is a superb vignette of John McEnroe. "Hate, hate," he says as he begins to serve. Then he turns to balletics as he begins to win. And tennis, in a way, is very like ballet.

It is the connection between dance, music and other activities that modern dance is all about. Yet the explosion that could occur if all the elements were properly put together has yet to come.

At *Dash* one was irresistibly reminded of Bob Fosse's *Dancin'* at Drury Lane. At times it seemed as if the current trends in television — feminism, pompousness, and minority appeal. Its saving grace was that in the event it was also quite interesting.

As for *It was a crowded year*, special mention would have to go to the ITV double of *Studio and No Excuses*, a couple of ghastly drama serials designed to cash in on young people's interest in rock music and to the BBC's *The Cleopatra* which showed that the *Borgias* had really not been as bad as we thought.

classical ballet as well. There is also the new technology in the use of television screens and clever lighting on stage. But in the end it is nostalgia rather than innovation that prevails.

Sleep's is a curious story. He began at the Royal Ballet, then left, possibly he was not tall enough to become (say) a Nureyev, though in fact his classical technique is brilliant and there is one stunning performance at the finale. Subsequently he sought to popularise ballet, or dance as it is now called.

There seems to me to be one fallacy here and one good idea. Classical ballet always was popular with most of the people who had opportunities to see it. There just wasn't, and isn't, enough of it to go round. It is not necessary to be modern to be widely appreciated.

The good idea is that at some stage dance must develop. It must be possible for someone to produce a whole modern dance drama: a late 20th-century equivalent of *Suon Lake*. It hasn't happened yet. But it is remarkable how many people seem to be groping to something new. One day somebody will find the formula. Meanwhile, the attempts, like *Dash*, are enjoyable.

Eugene Onegin/Leeds

Arthur Jacobs

With such a Russophile as David Lloyd-Jones, it is hardly surprising that he should come to the production of what is now the best-known of Russian operas. Chaykovsky's *Eugene Onegin* lives through the character of Tatiana — spurned by the man to whom she pours out her girlish heart, then in her mature years rejecting him. The composer, in giving the first performance to students in preference to over-ripe opera singers, would have loved the youthful freshness of Eileen Hannon in Tatiana's role. Reading her romantic novel the opening scene, or writing her fatal letter of passion to the coldly correct Onegin, she approaches an ideal in looks, gestures, clear words and unaffected tone. The top notes are weak, and a greater reserve of power is needed at the climaxes, but these should come.

Graham Vick, whose production is in many respects apt to produce a whole modern dance drama: a late 20th-century equivalent of *Suon Lake*. It hasn't happened yet. But it is remarkable how many people seem to be groping to something new. One day somebody will find the formula. Meanwhile, the attempts, like *Dash*, are enjoyable.

whether to goggle or giggle at the quotations from Pushkin's verse, which, between the scenes, appeared in wobbly projections on the drop-curtain. It was a quite gratuitous interpolation. Pushkin's irony and his first-person narrator do not belong to the opera at all, even though his poem is the prime source of the libretto. Mr Lloyd-Jones, conducting, wisely paused for possible applause after the supposed "big numbers" — an audience not so much prompted as heaven knows, the opera needs none of it — the more continuous the better. The orchestra, in excellent form this season, allowed Mr Lloyd-Jones to mould the musical score with firmness and delicacy, and the powerful accompaniment of Jonathan Summers. Onegin himself seemed even colder and more brutal than usual. The poet, Lenaky, had suitably ardent tones in the tenor of Robin Leggate, but this was a slightly stiff portrayal. Excellent, well-defined support came from Flom Klum as Tatiana's younger sister, Maureen Morelle as her mother, and Elizabeth Bainbridge as the old nurse. Neil Jenkins was a delightful Monsieur Triquet, with just an allowable suspicion of parody.

Arts Guide

December 23-29

Opera and Ballet

PARIS

Don Quixote, ballet in three acts to Ludwig Minkus's music, choreography by Rudolf Nureyev after Petipa, production by Rudolf Nureyev. Director and costumes by Nicholas Georgiadis, conducted by Andre Presser/John Lanchbery at the Paris Opera — Palais Garnier (266 5022).

Vive Offenbach enlivenes the festive season at the Opera Comique — Salle Favart (268 0611).

Nikolaï Dance Theatre with Nikolaï, the genius of a juggler, is preceded at 6.30pm by the Californian Jazz Tap Ensemble, full of contagious rhythm and fantasy, at the Théâtre de la Ville (274 3277).

Duke Ellington's Sophisticated Ladies — a musical by Donald McKayle and Michael Smuin at the TNP-Châtelet (233 4444).

WEST GERMANY

Berlin, Deutsche Oper: The week starts with Hänsel und Gretel produced by Filippo Sanjust. Premiering this month is a new production of Orpheus in der Unterwelt, by Götz Friedrich with a new cast. In the main parts are Julia Varady and Patricia Wise.

Hamburg, Staatsoper: There has been much acclaim for new productions of Ein Oberleutender aus Warschau/ Die Glückliche Hand/Die Jakobsleiter, shown for the first time in Hamburg. The three one-act operas

are produced by Peter Mussbach and conducted by Christoph von Dohnanyi. Hänsel und Gretel is perfectly cast with Elisabeth Steiner and Volko Krawara in the title roles. Der Liebestrank brings together Giuseppe Taddei, Neil Shifford and Kathleen Battle. Die Frau ohne Schatten has Leonie Rysaneck, famous for her rendition of the empress.

ITALY

Milan, La Scala: Giselle choreographed by Giovanni Coralli and Jules Perrot with Carla Fracci, Elisabetta Terebust and Peter Schaeffer. L'italiana in Algeri conducted by Claudio Abbado and designed by Jean-Pierre Ponnelle.

LONDON

Royal Opera, Covent Garden: Die Fledermaus, the Royal Opera's multilingual knees-up, now has at least an authentically mezzo-soprano Orlofsky (Doris Soffel) to tell the balance of past stylistic imbalances. Claudio Domingo makes his British opera conducting debut; the rest of the principals are known quantities — Te Kanawa, Prey, Heichele, Luxon (240 1088).

Royal Opera House, Covent Garden: Ashton's Cinderella, with two madame performances. (240 1086).

Sadler's Wells, Rosebery Avenue: The theatre's branch of the Royal Ballet opens a season on Thursday with Coppelia (278 8916).

Royal Festival Hall: London Festival Ballet dances the Nutcracker twice daily from Tuesday (928 3181).

NEW YORK

Metropolitan Opera (Opera House): Hänsel und Gretel, with Gail Robinson as Gretel, conducted by Thomas Fulton, highlights a week that also includes Fidelio with soprano Eva Marton as Leonore; conducted by Klaus Tennstedt; Tristan und Isolde conducted by James Levine with Hildegard Behrens as Isolde and Manfred Jung as Tristan, with Samartian's new production of Ernani. Lincoln Center (580 9830).

New York City Ballet (New York State Theatre): Month-long performances of the Nutcracker continue. Lincoln Center (870 5570).

WASHINGTON

Washington Opera (Terrace): Glan Clark's Menotti's The Medium and The Telephone designed by Zack Brown is staged by the composer with Sherry Woods and Wayne Turange in The Telephone and Nadia Pelle, Beverly Evans and Francis Menotti in The Medium, both conducted by Lorenzo Muto. Kennedy Center (564 3770).

American Ballet Theatre (Opera House): The Baryshnikov/Cinderella, choreographed with Peter Anastos, features lavish costumes and sets by Santo Loquasto in this, its world premiere. Kennedy Center (264 3770).

Music

LONDON

Gilbert & Sullivan Gala with the London Concert Orchestra conducted by Fraser Goulding with Ann James, soprano, Doreen Walker, mezzo-soprano, Graeme Matheson-Bruce, tenor, Martin McEvoy, baritone and Kenneth Sandford, bass-baritone. Barbican Hall (Bton), (888 8881).

Royal Philharmonic Orchestra conducted by James Blair with Stephen Hough, piano, Rossini, Handel, Grieg and Beethoven. Barbican Hall (Bton).

The Fauriol Quartet Victorian Christmas treats performed in costume by Maureen Koetich, soprano, Angela Vernon Bates, mezzo-soprano, Robert Carpenter, tenor, baritone, and Kenneth Barclay, piano.

NEW YORK

New York Philharmonic (Avery Fisher Hall): Kurt Sanderling conducting, Shlomo Mintz violin, Moussorgsky, Shostakovich, Prokofiev, Schubert (Thur) Lincoln Center (874 2424).

New York String Orchestra (Carnegie Hall): Alexander Schneider conducting, Isaac Stern violin, Yo Yo Ma, cello, Brahms, Beethoven (Thur) (247 4439).

WASHINGTON

Concert Hall: New York String Orchestra. Alexander Schneider conducting. Vivaldi, Beethoven, Brahms (Mon). Kennedy Center (264 3770).

Follow the Leader

Do you want to reach the top international financial specialists in Europe industry?

In mid 1982, the Financial Times, The Economist, and Euromoney commissioned Research Services Ltd. to conduct a survey amongst these senior international financial specialists in order to discover what they read.

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For more information about this research, or the position of the FT in the European market place, please contact your local Financial Times representative or the Market Research Department of the Financial Times.

Publication	Readership %
FINANCIAL TIMES	42
FAZ	24
HANDELSBLATT	21
LE MONDE	11
IHT	9
NEUE ZÜRCHER ZEITUNG	8
WALL STREET JOURNAL	6
BUSINESS WEEK	24
ECONOMIST	33
TIME	13
NEWSWEEK	11
INSTITUTIONAL INVESTOR (INTED)	21
EUROMONEY	17

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Self is life

UK telephone sales

Mickey Mouse moves in

By Guy de Jonquieres

THIS CHRISTMAS, a select group of mostly affluent British consumers wake up to find a telephone under the tree. But there is still a long way to go before Britain becomes a phone-owning, as opposed to a phone-renting, democracy.

After more than two years of false starts and delays, an increasingly wide selection of officially-approved telephones is finally starting to appear on sale in high-street shops at prices from £20 to £300 or more.

The choice ranges from standard British Telecom (BT) receivers (with rotary dial or push buttons) through models embellished in gilt and onyx or masquerading as Mickey Mouse, to portable cordless telephones and "feature" phones, with programmable memories, automatic redialling and intercom facilities.

More than 1,000 retail outlets now stock telephones in Britain, and distributors say, the phone-buying habit seems to be catching on.

The Telephone Box, which has four shops in London and Windsor, says that sales of the almost 30 approved models it stocks now exceed those of unapproved equipment. It expects its total sales to double to about £500,000 in its current financial year.

This is all welcome news for the Government, which launched its programme to

liberalise Britain's telecommunications industry more than two years ago. Sales of telephones represent only a tiny fraction of the liberalised telecommunications market, most of which consists of business equipment such as telexes and private exchanges. But Ministers are well aware that the general public is most likely to judge the policy by what is available in the High Street.

The results so far can only be counted a partial success. Many telephone prices are far higher than in the U.S., where there has been competition for more than a decade, and many British suppliers seem more interested in preserving a cosy market with high margins than in going for large volumes. Indeed, there would be few telephones available at all if the Government had not circumvented the long-winded independent testing and approval procedures which it set in motion two years ago. Of the 60-odd telephones approved for competitive sale so far, almost all have either been rammed through under an "interim" scheme hastily patched together by the Department of Trade and Industry with BT assistance, or were already in BT's own range.

Only half-a-dozen have been handled by the British Approved Board for Telecommunications (BABT), an offshoot of

the British Electro-Technical Approvals Board which is supposed to be in charge of equipment certification. Until last October the BABT had no standards against which to test equipment because none had yet emerged from the British Standards Institution (BSI), which is responsible for managing standard-writing.

The BSI/BABT procedures are considerably more than those of the DTI, which has used a reasonably flexible yardstick. They are also quite expensive. The BABT charges between £2,000 and £5,000 or more, payable in advance, to evaluate a telephone, plus an annual certification fee of £275. It also insists on inspecting the factory where the product is made, making return visits every year. The basic charge in the UK is £85. But it can be as much as £2,000 for a plant in the Far East, which must wait its turn until the BABT's one inspector is available to travel out there.

Mr John Vevers, director of BABT, says that it is not to blame for the scale of the charges. Indeed, the BABT is running at a loss and has had to turn to the Government for loans of £400,000 to cover its overheads. The Government is clearly concerned about the adequacy of the approval mechanism. Mr John Butcher, the DTI approved equipment

Minister responsible for supervising liberalisation, promised more than a year ago to make an international study of testing charges. The results of his inquiry are still awaited.

Meanwhile, his department has sought to speed things up by negotiating a bilateral agreement which would enable equipment made in the U.S. to be tested there to British standards, and vice versa. But the Foreign Office insisted that the scheme be referred to Brussels, where it seems to have become bogged down.

Part of the problem is that many of the BSI standards are much more elaborate than those in use in the U.S., where testing charges for telephones are as low as \$500 and official certification is free. BSI standards for telephones are designed to ensure the safety of the user and of BT's network as well as to specify how the equipment should perform in terms of sound quality and volume levels.

Some British suppliers say that they welcome tough approval procedures because they discourage fly-by-night manufacturers. Mr David Runka, managing director of Ace Telecom, Dixon's telephone equipment subsidiary, believes that demanding criteria can be justified if they limit competition and safeguard margins on the market, enthusiasm elsewhere



Phones on sale at Selfridges in London

One of the Government's problems has been trying to encourage a vigorous and varied competitive market while giving home-grown products a priority. Officials at the DTI, who sometimes seem haunted by visions of the UK market being swamped by telephones imported from the Far East, have given a clear preference to UK manufacturers in their approvals procedures.

Nonetheless, only half the telephones which the DTI has approved are wholly made in the UK. And though some smaller British manufacturers such as Astral, Etrusca and Fidelity have entered the market, enthusiasm elsewhere

seems very patchy. Established telecommunications manufacturers, which have low-cost mass-production capacity available, say they are reluctant to commit move resources to develop and make telephones unless they are backed by large orders from BT.

Still, demand seems set to grow. BT estimates that the number of extension telephones in homes will double to 5m in the next decade and that many will be purchased outright.

Moreover, BT is due late next year to lose its monopoly over the supply of first telephones to Britain's 15.5m residential subscribers.

will have to buy from AT & T, or the local telephone company if it decides to continue to supply telephones, or an independent retailer.

The manufacturers and retailers have not been slow to cash in on these new moves, helped by the natural affinity of many Americans for new gadgets and the fact that at an average price of \$35 a time owning a telephone can pay for itself in 10 months.

Customers are flocking to buy equipment from suppliers: AT & T, ITT, GTE, Mitel and Northern Telecom from Canada, and Far East companies such as Nippon Electric, Oki, Hitachi, Toshiba and Sanyo.

Paul Taylor
in New York

Lombard

Slamming the stable doors

By David Lascelles

THE AIR has been full of the sound of stable doors slamming in the wake of the LDC debt crisis. But some of the loudest noise has come from a set of doors opening: those of the grandly-named Institute of International Finance, which is getting into action in Washington.

Better known as the Ditchley Institute after the English country retreat where it was invented, this body is supposed to be the international bankers' contribution to solving the world debt problem. (Perhaps it should have "never again" inscribed over its portals.) It stands a far greater chance of joining the ranks of well intentioned but largely ineffectual quasi-official entities that dot the shores of the Potomac.

Not that this is the fault of the institute itself, let alone of M Andre de Larue, the French banker who has been put in charge. Ironically, the institute's fate could have been sealed in advance by the banks who set it up.

The institute was founded in the belief—at least among bankers—that the LDC crisis could have been averted if information about the escalating debts of countries like Mexico and Brazil had been available sooner. So its job will be to gather data on debtor nations, send missions to countries which borrow heavily from banks, and generally try to shed light on international lending problems. All this sounds very worthy, except that it misses the point.

Lack of information was not the cause of the LDC crisis. There may have been imperfections and delays in intelligence-gathering but none great enough to bring the world to the brink of financial disaster. In Mexico's case, for example, it was obvious as early as 1980 that it was borrowing short-term money at an alarming rate, yet banks were still making loans two years later.

The banks' shortcomings lay not in the research departments, who were sounding

alarms, but in the loan departments, who were eager for business and who usually carry the day because they earn rather than spend banks' profits. As a senior economist at one of New York's largest banks—who professes to be deeply disillusioned by the past two years—put it: "It's a management problem."

It is possible, of course, that bankers' attitudes have changed since the crisis. But it is hard to imagine the Citibank of this world, who set the pace on international lending, seeking the counsel of the institute as to the prospects for country X and the creditworthiness of country Y. Even if they did, it pre-supposes that the institute could tell them something they did not know.

The LDCs have made it clear that they will not divulge confidential information to the institute (as they might to the IMF). Why should they, since the institute's job is to spread it abroad?

In private, many bankers admit that the institute is a sop to public opinion. The U.S. banks in particular wanted to appear constructive earlier this year when Congress was threatening to legislate curbs on international bank lending as the price for approving new funds for the IMF.

This is not to say the institute will be completely dismissed. If it does its job well, it should be able to signal trouble in advance and advertise the problems of the international lending business in a way that bodies like the IMF and the Bank for International Settlements cannot. But this will be of greatest use to less sophisticated banks, who probably want to get out of international lending anyway.

The danger is that the establishment of the institute will encourage the notion that debt crises are a thing of the past. Obviously they are not. It would be much more reassuring if the banks were ready to admit that the problem lies less with the availability of information and more with the use they make of it.

THE U.S.: EVEN A PHONE THAT QUACKS

crystal and chrome. There are 100 phones, phones in footballs and exotic statures, phones disguised as pots of flowers—even a plastic telephone shaped like a duck decoy that quacks instead of rings.

The latest telephones can act as intercom "baby-sitters" reminding the owner of birthdays and appointments, check a burglar alarm system or shout "fire" for 30 seconds before calling the fire brigade with the address of the suspected inferno.

After a slow start—between 1978 and 1981 Americans bought fewer than 2m phones a year—the industry has gone into overdrive.

This year, according to John Penelec, ITT's director of North American telephone set sales, retail buyers in the

U.S. will have spent about \$1.2bn on 20m telephone sets and a further \$140m on cordless sets, which are really a cross between the standard telephone and a walkie-talkie radio.

With 80m telephone households in the U.S. and 140m

telephones—average ownership 1.75 sets per household, the vast majority of which are still rented—the telephone makers see plenty of room for expansion.

In particular, the planned January 1 break-up of American Telephone and

COMPARATIVE TELEPHONE PRICES

	Britain	U.S.
Standard rotary dial telephone	£25	\$14
GTE "Flip Phone"	£50	\$28
Comtempa "push-button" telephone	£55	\$27
Mickey Mouse "push-button" telephone	£115	\$112
Cordless telephone, push-button, last number redial, security device	£170	\$140

NB: The prices quoted are from retail telephone shops in London and New York. British prices are for "approved" telephones and include VAT at 15 per cent. U.S. prices are for products supplied by major North American manufacturers. They are converted at \$1.42 to the pound and exclude sales tax, which varies between states.

Research: Rivka Nachman.

Letters to the Editor

Mars: futures, calorific values, a fiduciary issue?

From Mr F. Finlay

Sir,—Re Lombard of December 16. Before Mars Bar futures can be introduced in Chicago and, hopefully, London, there is a problem to be overcome in standardising the grading of the bar's content. Experiments with eating Mars Bars in the U.S. and the UK indicate that the ingredients, as well as the size, vary worldwide. While compensation can easily be made for size in using the MB as an international currency unit, and in determining deliverable quantities, the ingredient mix presents a larger problem.

It is to be hoped that the Mars issuing agency will surrender the advantage this mix differential gives it in the world arbitrage market and standardise the ingredients, as well as the interest of establishing the MB as the premier unit of stable currency.

F. J. A. Finlay,
E. Bailey Commodities,

Level 2, Suite 7,
World Trade Centre,
1 St Katharine's Way, E1.

From Mr P. Dennis

Sir,—Lombard's Mars Bars article (December 16) describes some of the problems of becoming an internationally acceptable medium of exchange, but fails to draw the obvious conclusions.

While the UK bar has risen from 59 to 68 grammes, why does the U.S. bar go out at 53 grammes, and Japan only 45? What effect do shipping rates have, but more importantly the calorific values? Is this why the average height and weight of the Japanese is less than his British counterpart? Do the makers have a more ulterior motive than you are prepared to rate in your columns? Five Scitons of late suffered a more arduous existence which has necessitated the increased size of our MB, without which we would be unable to work.

Year.

Perhaps if all councils followed Westminster's policies of providing better services at less cost to the ratepayer then Mr Amery would be able to concentrate on more important architectural matters instead of indulging his subjective prejudices. (Councillor) Peter J. Hardley (Chairman, Environment Committee), Westminster City Hall, Victoria Street, SW1.

Conveyancing delays

From Mr A. Roper
The letter from Mr P. Brown (same date) is also misconceived. The argument is essentially about qualifications which even Mr Brown appears to concede are necessary. These qualifications in property and contract law and in various other branches of the law which can directly or indirectly affect a conveyancing transaction in many ways are not easy to obtain. The costs of any comparable organisation and controlling body to provide the same safeguards as at present would involve similar overheads and thus any saving in overall costs could be minimal only if Mr Brown's proposals were put into effect. Competition is already there within the realms of qualification and has been accentuated in recent years by the very large numbers of persons qualifying in the legal profession.

Alan D. Roper,
Court Chambers,
3, Victoria Street,
St Albans, Herts.

rest, and play as intended? What are the views of the Minister of Health, Weightwatchers, etc.?

P. G. Dennis,

PO Box 153, 3-5, King Street,
Reading.

From Mr J. Barber

Sir,—In his article "Mars Bars revisited" (December 16) Nicholas Colchester failed to mention a recent development which may cast doubt about the future soundness of the "Mars Bars Standard." In common with the 1984 London Marathon I have been sent a piece of paper which says, in effect, "I promise to pay the bearer on demand the sum of two Mars Bars." The Mars issuing authority should make it clear whether it holds 100 per cent backing for these notes or whether they represent the beginning of a Mars fiduciary issue.

J. M. Barber,
4 The Elms, Vine Road, SW13.

innocent victim as well as their own customer (who ended up locked out in the street and having to cancel removal arrangements). The moral is clear—the public should not deal with cut-price conveyancing organisations and for the same reason the House Buyer's Bill should not succeed. Losses or difficulties caused by inadequate services from unqualified persons unfortunately not only affect their own customers, but can affect other people in the chain of transactions as well. I find that it is rare that any delay is actually caused by a dilatory solicitor.

The letter from Mr P. Brown (same date) is also misconceived. The argument is essentially about qualifications which even Mr Brown appears to concede are necessary. These qualifications in property and contract law and in various other branches of the law which can directly or indirectly affect a conveyancing transaction in many ways are not easy to obtain. The costs of any comparable organisation and controlling body to provide the same safeguards as at present would involve similar overheads and thus any saving in overall costs could be minimal only if Mr Brown's proposals were put into effect. Competition is already there within the realms of qualification and has been accentuated in recent years by the very large numbers of persons qualifying in the legal profession.

Alan D. Roper,
Court Chambers,
3, Victoria Street,
St Albans, Herts.

Take aim more accurately

From Mr C. Havergal

Sir,—To offer some comment on Samuel Brittan's informative article of December 14 may I suggest that, in spite of all the complexities of control, it would be very unwise to "give up monetary targets altogether." Rather I suggest we should attempt to clarify this very issue by probing yet more deeply into the nature of money.

Despite Mr Brittan's castigation of econometricians, I would challenge him to refute that—when speaking in absolute terms, at any given moment of any given economy—the rate and volume of money supply must be (ie, cannot avoid being) equal to the rate and volume of the supply of the goods and services purchased by it at that moment. Thus I maintain that the relationship of a currency unit to what it takes out of an economy positively determines the value (or market force) of that currency unit, in a somewhat similar manner in which the inevitable relationship between mass and acceleration determines the value of physical forces.

Thus I believe that these two salient factors can be positively equated mathematically in the equation $Q = P \times S$, where S stands for the volume of productive manhours supplied to an economy per chosen unit of time (ie, per hour, per day, or etc), D stands for the volume of the supply of currency unit per the same unit of time which passes through the economy to carry the input away, and Q is the symbol of the proportionality between them.

Were the above equation to be employed as a practical yardstick of actual econometric performance, it would, of course, be necessary to calculate and apply an appropriate manhour standard of value to the relevant currency unit; and there surely could then be doubt that provided the rates of S and D could be effectively controlled, the purchasing power of the currency could be effectively controlled?

We all know only too well, however, that the control of either poses some problems. Yet when the bull's eye of our target can be seen more clearly should we not concentrate upon taking aim more accurately?

Christopher Havergal,
(Member of The Economic Research Council.)

Tower House, Woolton Hill,
Newbury, Berks.



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NORTHWEST ORIENT
The American winner

ANDROPOV PUSHES THROUGH POLITBURO PROMOTIONS

Supreme Soviet discusses growth

By Anthony Robinson in London

THE SUPREME SOVIET meets in Moscow today for a two-day session devoted to approving what the ailing Soviet leader, Mr Yuri Andropov, has implied will be ambitious growth targets for 1984 coupled with a drive to improve managerial efficiency and labour productivity.

Mr Andropov was again too ill to attend the two-day plenary meeting of the Communist Party Central Committee, which preceded the Supreme Soviet session. However, the pressing need to fill gaps caused by death and old age enabled him to push through three promotions to the Politburo, the top decision-making body.

The most significant appointment was that of Mr Vitali Vorotnikov, the 57-year-old former Deputy Prime Minister of the Russian Federation who was "exiled" to Cuba as Soviet Ambassador by President Leonid Brezhnev in 1977. He was brought back by Mr Andropov and promoted to serve as Prime Minister of the Russian Federation and candidate member of the Politburo last June.

Mr Vorotnikov has been appointed a full voting member of the Politburo, together with 70-year-old Mr Mikhail Solomentsev, who was Prime Minister of the Russian Federation for 12 years until last June, when he took over the post of chairman of the party control commission after the death of 84-year-old Mr Arvid Pelshe.

The promotion of Mr Vorotnikov to full Politburo status means there are now three men with the age, experience and Russian nationality required to qualify them as potential future party leaders. The other two are Mr Grigory Romanov, 60, the former Leningrad party leader, and Mr Mikhail Gorbachev, 52, the party agricultural expert whose duties include overall responsibility for the economy and some foreign policy tasks.

The new promotions bring the Politburo's strength up to 13 members. Mr Solomentsev's place as candidate, non-voting member of the Politburo, meanwhile, has been taken by General Viktor Chebrikov, head of the KGB and a close collaborator of Mr Andropov.

However, the vacancy caused by the death of Uzbek party chief Mr Sharaf Rashidov last October has not been filled and the number of non-voting members remains at the low level of six.

That implies that the promotions represent the minimum necessary, rather than a wholesale influx of committed Andropov supporters to the higher ranks. The appointment of Mr Yegor Ligachev, the 63-year-old former party leader in the important Siberian petrochemical centre of Tomsk, as a central committee secretary, however, strengthens the practical economic and management experience available to the leaders.

Mr Andropov's failure to appear at the Central Committee plenum, which was postponed from the usual November date in the hope that he would have recovered from the kidney and other ailments that have kept him out of the public eye since August 18, increases speculation that he might have to resign, provided agreement can be reached on his successor.

However, his speech, which was read out at the plenum for him, carried no hint of that and insisted on the need for greater labour discipline and increased efficiency. That was required both to build up Soviet military strength in the face of what he called the "sharply aggravated international situation" caused by "aggressive imperialist circles," and to raise living standards.

● The Reagan Administration is reacting to Mr Andropov's continued non-appearance with a combination of concern over the immediate future of U.S.-Soviet relations, fears that the Soviet military is assuming a greater role in decision-making and frank avowals of ignorance as to what is really going on, writes Reginald Dale from Washington.

In an interview published in the latest issue of Time magazine, President Ronald Reagan says that he is worried about the recent extent to

which Soviet military leaders "are, apparently without any coaching or being briefed by the civilian part of the Government - at least there is no evidence of that - taking it upon themselves to make statements, and rather belittling statements."

Mr Reagan said: "There has not, in the past, been evidence of top military leaders going public with attacks on the U.S. and seeming to enunciate policy on their own. We have to be aware of this and pay a little attention to this, to see if they have become a power on their own."

Mr Reagan said he found it hard to make a personal initiative to contact Mr Andropov at the moment because of lack of information as to where he stands in the Soviet hierarchy. He insists, however, that contacts are continuing between Washington and Moscow - "we can get our views there and solicit theirs."

State department officials said they were concerned that the apparent power vacuum in Moscow might make it less easy for the Soviet leadership to take important decisions on relations with the U.S., particularly on the stalled arms control negotiations between the superpowers. "We can ring the doorbell at the Kremlin," says one official, "there is nobody there to answer."

Andropov calls for big changes. Page 2

Flick may be forced to pay DM 450m back tax

By James Buchan in Bonn

FLICK, THE West German industrial group, will almost certainly have to pay some DM 450m (\$163m) in back tax after an internal investigation by the Economics Ministry in Bonn, according to reports yesterday.

The ministry would not comment on the reports, but it is believed that the year-long investigation has concluded that Friedrich Flick Industrieverwaltung must repay tax exemptions granted in the 1970s on capital gains reinvested in W. R. Grace and Co., the U.S. industrial company.

The ministry's decision is politically significant because Count Otto Lambsdorff, the Economics Minister, and Herr Hans Friedrichs, his predecessor and now chairman of Dresdner Bank, face court proceedings on suspicion of taking bribes from Flick in connection with the tax exemptions.

Dr Otto Schlecht, the state secretary at the ministry, last week accused Flick of having made "misleading claims" in connection with the waiving of tax on some DM 780m realised by the company through the sale of shares in Daimler-Benz in 1975.

Under a section of the West German Foreign Investment Law which has since been repealed, Flick was allowed to reinvest that sum tax-free in W. R. Grace. The ministry's approval was defended at the time as making possible the transfer of technology and was confirmed by the Finance Ministry and local state authorities.

Dr Schlecht said last week that officials had approved the tax exemption in 1975 and 1978 after "conscientious" study of the law, adding that neither economics minister had been personally involved.

U.S. Steel to reshape its operations

Continued from Page 1

under heavy fire from unions and politicians on both sides of the Atlantic.

U.S. Steel, meanwhile, was expected last night to announce significant cuts in its basic steel-making capacity. A proposed programme of plant closures was designed to streamline operations, shed unprofitable product lines and meet the target of returning to profitability next year.

Mr Haslam stressed last night that in the wake of the collapse of the joint venture, the long-term future of the Ravenscraig strip mill could not be assured.

"It is important," Mr Haslam said, "that the implications of the outcome should not be misunderstood by anyone. In the case of British Steel the problem remains of wide strip capacity, surplus to market requirements."

"Faced with the pressing need to end its present losses BSC will have to examine all alternative options," Mr Haslam again stated that BSC could afford to run only two out of its three strip mills in the longer term. He said the company would be presenting a plan containing the various options for the company to the Government in the new year.

Some 1,200 workers are currently employed at the Ravenscraig strip mill works out of a total of 4,000 at Ravenscraig in total.

Under the original plan about 2,000 Scottish steel jobs would have been lost.

Wall St lifted by rate hopes

Continued from Page 1

clamped down for, perhaps, "the next two or three months," according to one leading banker.

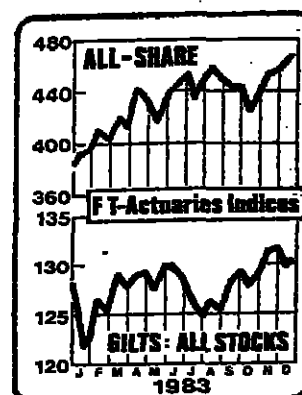
At the same time the stock market is heartened by the expectation of another round of profit gains at the major companies which are due to report next month on their trading performance in the final quarter of this year.

The stock market peaked at 1,287.20 on the Dow at the beginning of this month but market analysts are now hoping to see the 1,300 mark challenged early in January.

Tokyo, which had been open on Monday and had turned in a gain of more than 141 points on the Nikkei-Dow average of 225 leading issues, extended this 37.37 further yesterday to put the index at an all-time peak of 9,883.94. Earlier in the day it touched an unsurpassed 9,900.

THE LEX COLUMN

A gilded year for equities



After several years of dashed hopes the UK industrial recovery has finally come good. The past year has seen corporate profits shooting up by almost a quarter, dividend growth being restored in real terms and company liquidity rising faster than at any time for a decade.

The strength of the recovery has not only endorsed the smouldering bull market of the previous three years, it has pushed equity values to levels which even the optimists of a year ago might have considered ambitious.

The FT-All-Share Index seems set to finish the year within a whisker of its highest level ever, having advanced about 23 per cent in the 12 months.

Progress has not always been easy. The volume of rights issues has tailed off in the closing months of 1983 but will still represent a record - at about £2bn - for the year as a whole. Moreover, the gilt-edged market has failed to provide the lead to the equity market which characterised almost the whole of 1982.

The equity market has, however, been assisted by influences which no one would have dared predict with confidence a year ago. Most surprisingly, U.S. fund managers have sprung on London as an asset, rather than a liability, market, rather than British institutions rode into Spain and Scandinavia a few years ago.

Their interest has not merely swollen the pool of capital available for equity investment in the London market but has highlighted discrepancies between the fairly humble ratings of some British blue chips and those of their counterparts elsewhere.

In addition, the American practice of assessing earnings on an actual, rather than a fully taxed, basis has been winning acceptance in the London market and shedding light on some obvious anomalies of relative valuation.

Like the rest of the equity market, the ICI share price was buffeted throughout the year by the exchange rate. While, over 1983 as a whole, sterling's trade-weighted index showed only a modest fall of about two points - against individual currencies it fluctuated widely. Confounding most of the pundits the dollar again refused to respond to downward economic pressures while the D-Mark bloc and the yen sank further into the doldrums.

The pound's performance against the dollar was a continuous point of focus for the money and fixed-interest markets. The dollar had helped

markets looked as attractive on fundamental grounds as London. The UK bull market at least appeared based on solid evidence of a recovery in consumer spending and latterly in output which, with the conspicuous exception of the U.S., was only barely visible elsewhere.

Furthermore, the painful productivity gains and rationalisation of earlier years were showing through increasingly in sharp rises in profits among the more capital-intensive, cyclical companies.

The fast-growing favourites of 1982, including pharmaceuticals and electricals, were left behind as the equity market picked up recovery stories. By the middle of the year even the sectors favoured by the consumer boom - such as stores - were starting to look played out and chemicals, motors, packaging and paper and, most recently, textiles took up the running.

If any single share summed up the bullish mood of the year it was ICI. An aggressive senior manager spent the recession paring back an inflated cost base and, as chemical demand started to rise, the results shot straight through to the bottom line. With American investors treating the equity as an exciting novelty, the share price well doubled in the course of the year.

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to stem the rising tide in gilt-edged towards the end of 1982 and the early months of this year brought no relief.

Gradually, however, the more encouraging outlook for inflation arrested the fall. Concern - which by now looks justified - that the public sector - borrowing requirement would overshoot by about £2bn and that the government broker would need to continue overhauling to brake monetary growth helped to keep yields in double figures, even though inflation was spinning down to less than 5 per cent by Christmas and, seemingly likely to rise only modestly thereafter.

Although an optimistic sense that the worst of inflation was over kept gilt-edged yields from rising very far, fear of the growing U.S. budget deficit made it difficult for them to fall, given the threat of higher yields on U.S. bonds. The result was a narrow trading range - with gilt-edged yielding between 10% and 11% per cent - an unsatisfyingly choppy year to set beside 1982, when yields dropped by almost 5 percentage points.

Inflation

For the authorities, this was an uncomfortable funding background. The options were already limited since, in the early part of the year at least, the long end of the gilt-edged market was left free for public companies - which largely failed to take the bait and went to the equity market instead.

The UK Chancellor queried his own pitch in the index-linked sector by insisting that inflation was almost vanquished and, indeed, ironically, enough, proved almost the only financial asset not to keep pace with inflation over the year.

Fortunately the government broker found powerful allies; first in the building (home loan) societies, which absorbed as much short-dated stock as he could throw at them, and then the Inland Revenue, which obligingly sent investors in roll-up funds scurrying home into low-coupon gilts.

The Bank of England, meanwhile, kept a firm hand on short-term interest rates. After a one-point rise in January, base rates were permitted to inch down just fast enough to keep flickers of hope alive in the short end of the gilt-edged market. Yet, as 1983 draws to a close, it is on the London Stock Exchange's equity pitches, rather than in Lombard Street, that the champagne corks should be popping.

Bomb fears fail to deter UK shoppers

By Our London Staff

BRITAIN'S traditional post-Christmas sales got off to a brisk start yesterday despite fears of more bomb attacks by the IRA in the wake of the Harrods blast ten days ago and a further explosion on Christmas Day in the heart of London's West End shopping district.

The latest bomb was planted in a litter bin in Orchard Street, just off Oxford Street and between the Marks and Spencer and Selfridges stores, both of which had windows damaged. Two passers-by were slightly injured.

The death toll from the Harrods attack has meanwhile risen to six. A police inspector died on Christmas Eve from head wounds sustained in the blast and there are fears for one of his colleagues, a police constable who is still on the critical list.

Shoppers in central London yesterday heeded a police request not to bring their cars in for the first day of the sales.

After a subdued start most of the stores in the Oxford Street and Regent Street area reported demand to be at least as good as on the first day last year.

Parking bays in an extensive area either side of Oxford Street were suspended and a number of cars parked in them were towed away by police.

Police with dogs mingled with the shoppers and outside Harrods in Knightsbridge there was a strong and clearly visible police presence.

Elsewhere in Britain, cities such as Manchester, Birmingham, Cardiff, Southampton and Nottingham reported strong demand, with an especially high level of cash sales in some shops.

In London after a slow start, Liberty's was very pleased with the first day of its sale, with strong interest in its fabrics and silk scarves. There was also good demand for its Persian carpets.

Mr Tony Measom, assistant general manager at D. H. Evans said: "We had a slowish start but it has built up to be very healthy. I think the main reason was the limited public transport and the police plea not to bring cars into town."

Dickens and Jones, in Regent Street, said the numbers of customers were up on the first day of the sales last year.

South African forces clash with Cubans in Angola offensive

By Bernard Simon in Johannesburg

SOUTH AFRICAN troops have advanced up to 200 kilometres (125 miles) into southern Angola and clashed directly with Angolan and Cuban forces, according to General Constand Viljoen, chief of the South African Defence Force.

His statement indicated that what military spokesmen described last week as a "limited" offensive against guerrillas of the South West Africa People's Organisation (SWAPO) was in fact a significant thrust into Angola over a wide front.

Gen Viljoen confirmed after a visit to the war zone that fighting was taking place over a wide stretch of south-western Angola up to about 200km north of the Namibian border. He said that the present operation had begun on December 6.

According to the South Africans, the present offensive is justified by the large number of SWAPO guerrillas, estimated at 1,400 men, planning to infiltrate northern Namibia during the rainy season, which began last month.

Gen Viljoen said that SWAPO was using four main routes, stretching from Cahama in the west to east of Cassinga. South African troops clashed with some 200 SWAPO guerrillas near the town of Cahama on Monday.

The South Africans view the intended SWAPO infiltration as a clear rejection of the offer made by the Foreign Minister, Mr P. W. Botha, two weeks ago to begin disengaging South African forces from southern Angola at the end of January.

Gen Viljoen said that the present operation would continue "until we reach our target - to knock SWAPO for six and stop plans to infiltrate South-West Africa (Namibia)". He added: "We intend to meet SWAPO as far north as possible" to prevent their operation into Ovambo and white farming areas further south.

The defence force has announced the deaths of eight South African servicemen in recent weeks, but declines to estimate SWAPO casualties in the operation.

For the first time for more than two years, the South Africans have clashed directly with Angolan and Cuban troops. Gen Viljoen said that an Angolan army unit ambushed a South African platoon last week, and that South African aircraft had been fired on by sophisticated Sam-8 missiles.

He denied Angolan reports that several aircraft had been shot down. He said that Angolan government forces had ignored pamphlets dropped by South African aircraft advising them not to "interfere" in operations against SWAPO.

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday December 28 1983



Algeria revives syndicated credits

FEW CREDITS testify better to the revival of the syndicated loan market in the autumn than the deal whereby Algerian raised \$800m for its state-owned Banque Extérieure d'Algérie and Banque Nationale d'Algérie.

Interest in the credit was intense from the moment the telexes began to roll in the offices of Algeria's leading bankers with a request for a loan in the range of \$500m to \$700m. Hard bargaining for mandates had returned with a vengeance, and with it fears of shaved margins followed by weak syndications.

Almost immediately three groups of banks were formed to seek the coveted lead position. One comprised Arab Banking Corporation, Banque Nationale de Paris and Manufacturers Hanover; another was a group of 20 banks assembled by Banque Arabe et Internationale d'Investissement and the third a group of 10 banks co-ordinated by Chase Manhattan and Gulf International Bank.

It was this last group which finally won the mandate on November 8. Terms were set to include a margin of 1/4 per cent over Eurodollar rates for the first six years, rising to 1/2 per cent for the following two.

In some ways Algeria was just the sort of special case which might qualify for preferential treatment from an otherwise moribund syndicated loan market. Since the late 1970s, it had become a rare borrower.

This year it has been repaying some of its bank debt, creating a shortage of Algerian assets in the market and making it technically underborrowed.

Yet the big question mark remained the degree to which the loan could be sold to smaller banks in syndication.

Response was strong enough to allow the deal to be increased in two successive stages, first to \$750m and then to \$800m.

Peter Montagnon and Mary Ann Sieghart analyse Euromarket deals which are likely to go down as milestones in 1983

Spectacular success for Mexico's forced lending Swedish jumbo loan deal a model for others



Mr Steffen Gadd, Samuel Montagu's Swedish chief executive

branches of foreign banks in London. Not only was the Bank of England informally trying to restrain the popular sterling acceptance market; local authorities, which in previous years had been large borrowers from the banks, were repaying their debts in order to avail themselves of cheaper funding opportunities offered by the Public Works Loan Board. Suddenly a pocket of international finance had become available in domestic sterling.

Since then, the sterling syndicate

ed loan market has been the subject of much discussion. Other large loans have been placed in sterling, including a £100m credit apiece for Ireland and France's financing agency Crédit National, but no borrower has sought to emulate Sweden with a real blockbuster. Does this mean that Sweden's £500m was a flash in the pan that can never be repeated?

One of the conclusions now emerging from the post-mortem that followed the Swedish deal is that the sterling market is probably limited in depth both because the demand among foreign banks for sterling assets is not infinite and because, eventually, the authorities would have to restrain its growth if the resulting capital exports began to affect the exchange rate.

More important still is the belief of senior market operators that however attractive sterling assets may be, the mere fact that a credit is denominated in sterling does not provide reasonable grounds for overriding a bank's overall country limit. The sterling market is thus likely to remain confined to quality borrowers for whom banks still have sufficient overall space in their balance sheets.

If this is the case, then the Swedish exercise revealed an intense demand for good quality loans.

STRICTLY speaking, Mexico's \$5bn, six-year credit from its international bank creditors only just qualifies as a deal of the year in 1983. Terms of the loan, which provide for an interest margin of 2 1/4 per cent over London interbank offered rate (Libor) or 2 1/4 per cent over the U.S. prime rate, were agreed on December 10 1982.

But syndication of the loan carried on well into the New Year and it was not until February 24 that the total amount of \$5bn was finally committed. Moreover this was the first large loan to be arranged under the International Monetary Fund's forced lending concept. This allows for balance of payments finance to be provided by all of a country's creditor banks in proportion to their existing exposure.

The success of the Mexican loan allowed it to become established as a financing model for other countries in trouble. In 1983, according to the Organisation for Economic Co-operation and Development, more than \$18.5bn in new bank loans were arranged for developing countries along these lines, making forced lending one of the hallmarks of the Eurocredit market for the year as a whole.

It has been used to establish a new principle in banking, namely



Sr Angel Gurria, Mexico's chief debt negotiator

that a country which reschedules its debt need not be cut off automatically from new sources of credit. So ingrained was the contrary view in the financial community that few bankers believed Mexico could ever achieve its \$5bn target when the concept of a large loan was first floated in November 1982.

A year later it is clear that the success of the Mexican loan and the others which followed it have done much to calm the crisis-ridden banking system. But it is equally certain that arranging these deals

has imposed a unique discipline on the banking community, which now shows signs of wearing thin.

The idea behind them is that all a country's creditors must share in contributing to the loans - much has been made in several deals of the contributions of smaller banks totalling sometimes as little as a few thousand dollars - but as countries come back for more, signs are growing, particularly among smaller banks, of resistance to a concept they regard as throwing good money after bad.

The latest operation - a \$6.5bn credit for Brazil - has proved agonizingly difficult to complete, mainly because of resistance from banks in the Middle East and among regional U.S. banks. As the year drew to a close it was widely expected in the banking community that the loan might need to be topped up by leading creditors to ensure that the total is reached.

A small top up was already needed for Mexico's \$5bn, but if topping up becomes necessary for larger and larger amounts, the prospects that forced lending can continue to help solve the banking crisis will also dim. That is the main reason why bankers and borrowers alike will be looking for new ways of channelling capital to the developing world in 1984.

Boost for demand in sterling assets

SPOTTING TRENDS in investor demand is probably the most important job of an investment banker. Many UK merchant banks realised this year that demand for sterling assets - particularly floating rate ones - was strengthening.

Samuel Montagu topped it with a £250m credit for Sweden, subsequently doubled to £500m and still oversubscribed, but it was S.G. Warburg which first applied it to the bond markets.

Rumours had circulated for months that a borrower was to reopen the sterling floating rate note market which had laid dormant for three years. UK banks were competing to persuade borrowers to tap the market and the first to do so was Société Nationale des Chemins de Fer (SNCF), the French railway company on September 29. Led by Warburg, the note was initially for £50m but was increased within hours to £75m to meet market demand.

The surge in demand for sterling assets arose mainly through a shortage of supply. The sterling acceptance credit market (the market in bills of exchange issued by companies and guaranteed by banks) has recently been squeezed by the Bank of England.

Having encouraged its growth in the last few years, the Bank has now been asking banks to reduce the level of acceptance credits on their balance sheets. This has led to a search for other kinds of sterling asset.

But this has not been easy for other sources have dried up too. Corporate loan demand has been weak as profits and cash flow have recovered and investment has been low. And local authorities, who used to borrow from banks, have found it cheaper to use the Public Works Loan Board instead.

The demand was evidently strong when SNCF launched its deal and it held up for the next two or three sterling floaters.

EEC provides the momentum for a flood of new FRNs

NOT only did the EEC break all records by launching a blockbuster \$1.8bn bond in June, it also alerted bankers to the massive potential of the floating rate note market.

The success of Sweden's \$1.2bn jumbo FRN in January had given some indication of the depth of the market, but it took the EEC deal, which manager Credit Suisse First Boston increased from \$1.5bn to \$1.8bn, to provide the momentum for a flood of new FRN issues and a narrowing of spreads.

Until recently, FRN departments

in banks have rather played second fiddle to the fixed-rate side, both in terms of trading and new issues.

Now people have come to realise that the expansion of the floater market is not a temporary phenomenon and bond houses need to be geared up in their trading and their expertise about the market in order not to lose out.

CSFB seems to have predicted this trend earlier than most, and as a result is way ahead of the other houses in the number and volume of deals it has led. It won the man-

dates, for instance, of both jumbo Sweden deals, the EEC and the hotly-contested Belgian FRN.

But this dominance is unlikely to last. Expertise in the handling of floaters is not that difficult to attain. In the pricing, there is no capital market risk; as the coupon moves with market rates, the bond will rarely fall to a heavy discount. Selling the bonds, too, is easier as the chief investors are other banks.

Floaters in 1983 began seriously to take the place of syndicated loans, both for borrowers and invest-

ors. Sweden, the EEC, Belgium, Denmark, Ireland and many French borrowers discovered that money could be raised on finer terms and for a longer maturity in the FRN market.

Because of the resulting dearth of good names in the loan market, banks were dragged into the FRN market as investors in order to bolster up the asset side of their balance sheets. But returns have been lower - the surge in demand for floaters has allowed borrowers to issue bonds at a spread of 1/4 point

over the mean of the London interbank bid and offered rates sometimes with front-end fees of just 1/4 per cent.

This shift from loans to FRNs has also moved business from commercial to investment banks. Many commercial banks decided in the last year or so to concentrate on fee-related business rather than earning margins on risky lending.

To a certain extent, the growth of the FRN market this year has led to a blurring of distinctions between floaters and syndicated loans. With

sub-participation on the increase, a secondary market in loans is coming to life. And a borrower like Sweden may find that the people who lend it money in the FRN market are not substantially different from its normal providers of loans.

But in liquidity, the FRN market is way ahead. It is this factor which should ensure that the market remains healthy in 1984. The turnover of the jumbo floaters has been extraordinary and this has allowed dealing spreads to narrow to 0.10 or even 0.05 per cent.



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Continued on Page 15

هكذا آمنه الأصل

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

Continued on Page 16

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

Continued on Page 16

Sales figures are unfortuitous Yearly *h-j* and *l* reflect the previous *h-j* plus the current *h-j* but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has taken place the year's *h-j* figures should be shown on a split-adjusted basis. *h-j* otherwise otherwise noted, rates of dividends are annual dollar amounts based on the latest declaration.

a-dividend also extra(s) *b*-annual rate of dividend plus stock dividend *c*-liquidating dividend *d*-dividend in arrears *e*-dividend in arrears *f*-dividend in arrears *g*-dividend in Canadian funds, subject to 15% non-residence tax *i*-dividend declared after split-up or stock dividend *j*-dividend declared after a split-up or stock dividend *k*-dividend declared after a split-up or stock dividend *l*-dividend declared after a split-up or stock dividend *m*-dividend declared after a split-up or stock dividend *n*-dividend declared after a split-up or stock dividend *o*-dividend declared after a split-up or stock dividend *p*-dividend declared after a split-up or stock dividend *q*-dividend declared after a split-up or stock dividend *r*-dividend declared after a split-up or stock dividend *s*-dividend declared after a split-up or stock dividend *t*-dividend declared after a split-up or stock dividend *u*-dividend declared after a split-up or stock dividend *v*-dividend declared after a split-up or stock dividend *w*-dividend declared after a split-up or stock dividend *x*-dividend declared after a split-up or stock dividend *y*-dividend declared after a split-up or stock dividend *z*-dividend declared after a split-up or stock dividend

WORLD STOCK MARKETS

WALL STREET

Consumer cheer heartens

GOOD FORM emerged on Wall Street yesterday with leading stocks moving higher in a generally more confident trading mood. Turnover remained subdued after Monday's holiday but stocks proved largely able to sustain their early gains, writes Terry Byland in New York.

The bond market also held on to opening advances although turnover there was particularly slack.

The Dow Jones industrial average closed 13.21 up at 1,263.72.

The announcement of record Christmas sales at Sears, the largest U.S. retailer, confirmed market confidence that consumer spending remains strong. This confidence was further encouraged by last week's moderate forecast of GNP by the Commerce Department which is believed to have lessened the likelihood of a credit clampdown by the Federal Reserve.

After the uncertainties of the past month, investors were cheered yesterday by a batch of predictions from analysts at major broking firms that interest rates might fall in the new year.

Friday's news of a \$2bn fall in M1 money supply was welcome but largely expected, although the market was pleased to read in the minutes of the November meeting of the Fed's Open Market Committee that there had been no change of credit policies.

The credit markets remained subdued by the \$15bn in treasury financing due this week, led by yesterday's auction of \$8bn in four-year notes.

Three-month treasury bills, discounted at 8.91 per cent were a few basis points down from Friday night, as were the six-month bills discounted at 9.09 per cent. But the key 2013 long bond traded at 101 1/2, a net gain of 1/2, to yield 11.80 per cent.

SOUTH AFRICA

BANKS were in demand in an otherwise thin day in Johannesburg after prime rates rose to 20 per cent promised better lending margins. Volkskas rose 50 cents to R11 and Trust Bank 30 cents to R2.50.

Markets remained closed yesterday in the UK, Australia, Hong Kong, and Canada. Japanese markets, after a half-day's business today, will close for new year until Wednesday January 4.

TOKYO

Confidence vote for coalition

INVESTORS reacted favourably yesterday to Monday's formation of a coalition government by the Liberal-Democratic Party (LDP) with the New Liberal Club in the wake of the LDP's severe setback in the December 18 general election, with the Nikkei-Dow average scoring yet another all-time high, writes Shigeo Nishiwaki of Jiji Press.

The judgment apparently was that the coalition of conservative forces would provide more stability to the government.

The 225-issue indicator, which shot up more than 141 the previous day, closed 37.37 higher at 9,883.94, after temporarily topping 9,900. Gains outpaced losses 418 to 273, with 142 issues unchanged.

Trading totalled 571m shares against 625.41m the previous session. Volume leader was Nippon Express, with 25.06m shares traded.

The previous day's bullish mood remained in the market and quite a few investors placed orders to buy a wide range of issues in anticipation of higher prices after the year-end and new year holiday season.

Reflecting the active stock market, brokerage houses were selected, with Daiwa Securities advancing Y17 to Y474. Trading houses were also in the plus column.

Blue chips advanced on small-lot buying in the morning. But the buying dwindled in the afternoon. Major gainers among blue-chip issues were Fujitsu, Matsushita Electric Industrial and Toyota Motor, which soared Y20 each to Y1,320, Y1,970 and Y1,490 respectively.

With the approach of the new year, the bond market saw virtually no movement. The yield on the barometer 7.5 per cent government bonds, maturing in January 1993, edged down one basis point to 7.39 per cent.

EUROPE

Vigorous assault on peaks

FESTIVITIES were by no means over for the year on the European bourses yesterday as surprisingly vigorous buying activity took Dutch and Swiss shares to new records while the Belgian, French and Norwegian markets climbed more cautiously but none the less succeeded in establishing 1993 peaks.

Stores group Ahold led Amsterdam higher, up 2.3 as measured by the ANP-CBS general index which finished at 151.9, with business done after its calculation remaining by and large firm. The grocery chain jumped F13 to F119, reflecting demand for its outstanding warrants.

A similarly broad front of buying was encountered in Zurich, where nearly all the Swiss Bank indices broke new ground, as did the Credit Suisse marker.

Domestic bonds suffered from switching into the rising stock market.

Frankfurt was quiet by comparison but aided by late foreign demand after the computing of the Commerzbank index, 1.4 stronger at 1,033.1 and just 0.9 off its peak.

A mixed to firm Paris result included a Ffr 8 dip for Bouygues at Ffr 695 and a seasonal Ffr 20 gain in Mot-Hennessy at Ffr 1,400. Brussels was featured by Bekeart, ahead Bfr 80 at Bfr 3,600, while Milan showed Italmobiliare off L1,890 at L45,300 but Fiat L59 stronger at L3,378.

Stockholm was brought to an early halt by a power failure, but the tone was beginning to improve from a weak opening. Pharmacia encountered U.S. support but stayed Skr 4 lower at Skr 325 after a strong showing last week.

The other record-setter, Oslo, had Norsk Data Nkr 1.50 higher at Nkr 277.50. Copenhagen slipped, as did Madrid.

SINGAPORE

A SMATTERING of buying interest was found amid muted Singapore profit-taking to leave the Straits Times industrial index 0.38 firmer at 987.98.

CANADA

(Closing Prices)

Dec 27

Stock

Price

+ or

AMT Inc.

25 1/4

Alcan

25 1/4

Agrium

17 1/4

Alcan Energy

18 1/4

Alcan Alum

18 1/4

Alcan Steel

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£7m orders for Boot in Hong Kong

club premises. The contract is valued at £942,000 and entails the demolition and refurbishment of a three-storey listed building. On completion it will incorporate squash courts, snooker room, dining room, bars and other leisure facilities. Work is scheduled for completion in 88 weeks. The London Midland Region of British Rail has awarded a £217,000 contract to Balfour Beatty, involving the construction of three reinforced concrete ramps on platforms 1.3 and 4.6 at Derby Station. Alterations to the existing subway, provision of modular seating and construction of waiting buildings are also included. The contract commenced in November for a duration of 24 weeks.

Over £1.3m is being allocated by British Rail London Midland Region to the replacement of the ashed roofs at Liverpool's West Street Station. Northwest Holst Ltd, Chester, is the contractor providing it was possible to complete the essential roof repairs in time to enable the station to resume its normal service on the special and highly complex system of scaffolding. Northwest Holst has also replaced the expired bitumen roof covering

house to accommodate three new vessels. Willett is also building a steel framed distribution depot which will include a mezzanine floor incorporating two-storey offices. At Staples Corner in North London Willett has won a £2.2m contract to build four industrial units. The project is

which will be made in Cheltenham and air-freighted to West Africa before the end of the year. The first signal is due to be transmitted early in 1984.

Mr. G. Robertson, Mr. R. Warburton, Mr. D. Goidl and Mr. H. Ward. Other subsidiary companies have made the following appointments: Mr. R. Bagge and Mr. D. Priest as directors of Britannia Group of Unit Trusts; Mr. C. Thornton as a director of Britannia Portfolio Managers.

The British Steel Corporation and the TI Group have formed a new company, SEAMLESS TUBES which will begin trading on December 31. The company comprises BSC tubes division's Plug Mill business at Corby and the TI Weldless business at Wednesfield. The chairman will

[illegible]

19th Wm. Seward 1961-65 31mc	DIVIDEND & INTEREST PAYMENTS	
20th Wm. Seward 1966-70 20mc	1963-64 11/16 & 6c	Smith (J) S&P 1932a
21st Wm. Seward 1971-75 20mc	Allied 1964 1/2 4.5p	Sunderland Corp 1928a 19pc
22nd Wm. Seward 1976-80 20mc	Argus Press 1967 2.55p	41pc2b
23rd Wm. Seward 1981-85 20mc	Argus Press 1968 2.55p	Sunderland Corp 1928a 19pc
24th Wm. Seward 1986-90 20mc	Argus Press 1969 2.55p	41pc2b
25th Wm. Seward 1991-95 20mc	Argus Press 1970 2.55p	Sunderland Corp 1928a 19pc
26th Wm. Seward 1996-00 20mc	Argus Press 1971 2.55p	41pc2b
27th Wm. Seward 2001-05 20mc	Argus Press 1972 2.55p	Sunderland Corp 1928a 19pc
28th Wm. Seward 2006-10 20mc	Argus Press 1973 2.55p	41pc2b
29th Wm. Seward 2011-15 20mc	Argus Press 1974 2.55p	Sunderland Corp 1928a 19pc
30th Wm. Seward 2016-20 20mc	Argus Press 1975 2.55p	41pc2b
31st Wm. Seward 2021-25 20mc	Argus Press 1976 2.55p	Sunderland Corp 1928a 19pc
32nd Wm. Seward 2026-30 20mc	Argus Press 1977 2.55p	41pc2b
33rd Wm. Seward 2031-35 20mc	Argus Press 1978 2.55p	Sunderland Corp 1928a 19pc
34th Wm. Seward 2036-40 20mc	Argus Press 1979 2.55p	41pc2b
35th Wm. Seward 2041-45 20mc	Argus Press 1980 2.55p	Sunderland Corp 1928a 19pc
36th Wm. Seward 2046-50 20mc	Argus Press 1981 2.55p	41pc2b
37th Wm. Seward 2051-55 20mc	Argus Press 1982 2.55p	Sunderland Corp 1928a 19pc
38th Wm. Seward 2056-60 20mc	Argus Press 1983 2.55p	41pc2b
39th Wm. Seward 2061-65 20mc	Argus Press 1984 2.55p	Sunderland Corp 1928a 19pc
40th Wm. Seward 2066-70 20mc	Argus Press 1985 2.55p	41pc2b
41st Wm. Seward 2071-75 20mc	Argus Press 1986 2.55p	Sunderland Corp 1928a 19pc
42nd Wm. Seward 2076-80 20mc	Argus Press 1987 2.55p	41pc2b
43rd Wm. Seward 2081-85 20mc	Argus Press 1988 2.55p	Sunderland Corp 1928a 19pc
44th Wm. Seward 2086-90 20mc	Argus Press 1989 2.55p	41pc2b
45th Wm. Seward 2091-95 20mc	Argus Press 1990 2.55p	Sunderland Corp 1928a 19pc
46th Wm. Seward 2096-00 20mc	Argus Press 1991 2.55p	41pc2b
47th Wm. Seward 2001-05 20mc	Argus Press 1992 2.55p	Sunderland Corp 1928a 19pc
48th Wm. Seward 2006-10 20mc	Argus Press 1993 2.55p	41pc2b
49th Wm. Seward 2011-15 20mc	Argus Press 1994 2.55p	Sunderland Corp 1928a 19pc
50th Wm. Seward 2016-20 20mc	Argus Press 1995 2.55p	41pc2b
51st Wm. Seward 2021-25 20mc	Argus Press 1996 2.55p	Sunderland Corp 1928a 19pc
52nd Wm. Seward 2026-30 20mc	Argus Press 1997 2.55p	41pc2b
53rd Wm. Seward 2031-35 20mc	Argus Press 1998 2.55p	Sunderland Corp 1928a 19pc
54th Wm. Seward 2036-40 20mc	Argus Press 1999 2.55p	41pc2b
55th Wm. Seward 2041-45 20mc	Argus Press 2000 2.55p	Sunderland Corp 1928a 19pc
56th Wm. Seward 2046-50 20mc	Argus Press 2001 2.55p	41pc2b
57th Wm. Seward 2051-55 20mc	Argus Press 2002 2.55p	Sunderland Corp 1928a 19pc
58th Wm. Seward 2056-60 20mc	Argus Press 2003 2.55p	41pc2b
59th Wm. Seward 2061-65 20mc	Argus Press 2004 2.55p	Sunderland Corp 1928a 19pc
60th Wm. Seward 2066-70 20mc	Argus Press 2005 2.55p	41pc2b
61st Wm. Seward 2071-75 20mc	Argus Press 2006 2.55p	Sunderland Corp 1928a 19pc
62nd Wm. Seward 2076-80 20mc	Argus Press 2007 2.55p	41pc2b
63rd Wm. Seward 2081-85 20mc	Argus Press 2008 2.55p	Sunderland Corp 1928a 19pc
64th Wm. Seward 2086-90 20mc	Argus Press 2009 2.55p	41pc2b
65th Wm. Seward 2091-95 20mc	Argus Press 2010 2.55p	Sunderland Corp 1928a 19pc
66th Wm. Seward 2096-00 20mc	Argus Press 2011 2.55p	41pc2b
67th Wm. Seward 2001-05 20mc	Argus Press 2012 2.55p	Sunderland Corp 1928a 19pc
68th Wm. Seward 2006-10 20mc	Argus Press 2013 2.55p	41pc2b
69th Wm. Seward 2011-15 20mc	Argus Press 2014 2.55p	Sunderland Corp 1928a 19pc
70th Wm. Seward 2016-20 20mc	Argus Press 2015 2.55p	41pc2b
71st Wm. Seward 2021-25 20mc	Argus Press 2016 2.55p	Sunderland Corp 1928a 19pc
72nd Wm. Seward 2026-30 20mc	Argus Press 2017 2.55p	41pc2b
73rd Wm. Seward 2031-35 20mc	Argus Press 2018 2.55p	Sunderland Corp 1928a 19pc
74th Wm. Seward 2036-40 20mc	Argus Press 2019 2.55p	41pc2b
75th Wm. Seward 2041-45 20mc	Argus Press 2020 2.55p	Sunderland Corp 1928a 19pc
76th Wm. Seward 2046-50 20mc	Argus Press 2021 2.55p	41pc2b
77th Wm. Seward 2051-55 20mc	Argus Press 2022 2.55p	Sunderland Corp 1928a 19pc
78th Wm. Seward 2056-60 20mc	Argus Press 2023 2.55p	41pc2b
79th Wm. Seward 2061-65 20mc	Argus Press 2024 2.55p	Sunderland Corp 1928a 19pc
80th Wm. Seward 2066-70 20mc	Argus Press 2025 2.55p	41pc2b
81st Wm. Seward 2071-75 20mc	Argus Press 2026 2.55p	Sunderland Corp 1928a 19pc
82nd Wm. Seward 2076-80 20mc	Argus Press	

R. E. S. Hise, Mr C. R. Hunter, Mr A. P. Leslie, Mr A. C. Mitchell, Mr J. R. Robson, and Mr G. J. White.

A new company, ARTHUR YOUNG FINANCIAL SERVICES has set up in Bristol by Arthur Young McClelland Moores

the WILLIAM MOSS GROUP. He will succeed Mr M. B. Bailey as financial director on January 1 in anticipation of Mr Bailey's departure.

YOUNG FINANCIAL SERVICES, He will succeed Mr M. E. Bailey as financial director on January 1 in anticipation of Mr Bailey's retirement later in 1964.

FT UNIT TRUST INFORMATION SERVICE[illegible]

AA Friendly Society
(Investment Mgmt RE & G Inv Mgmt Ltd)

[illegible]

continued

Life Pensioners Ltd.		
London Rd., Smeeth,	0732 450161	
125-126	105.95
nt	1104.85	105.95
10104.85	105.95
1112.99	116.48
110104.85	105.95
2104.48	107.71
Neeson Bay January 1		
Life Assurance Co Ltd.		
House, Gatehouse Road, Aylsbury		
111	Aylsbury 01356	7.5
ollar		7.5
Franc		7.5
the Mart		3.6
Life Ltd.		
12, Keene House, Andover, Hants.		
Ed	108.4	114.2 +0.3
ty Ed	99.2	104.5 +0.3
ty Ed	107.2	104.5 +0.3
Ed	98.8	104.7
Ed	118.7	104.7 +0.3
Life Assurance Co Ltd.		
Albert Hse, Sheet St, Windsor	68144	
Ed	227.2	518
Ch	85.0(A)	91.0(B)
Ed	134.1	147.1

ACROSS

4 Calm artfully created (8)

12 Work not for bread alone (-)

13 At last I have something to
a salad (6)

20 Seek an engagement — work, in plain language (7)

24 He has to play the price of
publicity (10)

28 For which a damp course
essential (7)

30 A boy that is writing about
complaints (8)

DOWN

2 One who only watches will make a bad sentry (9)

[illegible]

Trust Funds

	Nom	APR	Int or Notice
Infill Limited			
Berkley St. WTX SDA			01-499 6734
HilMyd	8.14	8.71	Qtr Call
Money Market Trust			
on Victoria St ECAN 4ST.			01-236 0452
Fund	8.73	8.93	6mth Call
Fund	8.30	9.11	6mth 7day
enheimer Money Management Ltd			
Lennon St ECAS 4ST.			01-236 0235
Fund	8.58	8.67	6mth 7day
T.E.	8.43	8.64	6mth 7day
IntDpac	8.43	8.64	6mth 7day
	8.43	8.64	6mth 7day

Bank Accounts

	Name	APR	Int	Gr	Notife
an Hume					
orship SL EC2A 2MO.			01-528	5670	
ury Acc	8.75	9.04	On		Call
ity Acc	8.63	8.00	Mth		Call
k of Southend					
hreadneedle SL EC2P 2EH			01-528	5680	
ue Acc	8.80	9.15	Mth		Call
nsia Gp of Unit Truats Ltd					
nsury Circs. EC2M SQL			01-555	3777	

ing*	8.88	9.25	01-24
2Dollars	9.00	9.51	Mth
an Micks	5.13	5.13	Mth

75 France	0.75	0.76	Mo	Call
ington & Co Ltd				
ington, Totnes, Devon TQ9 6JL				
MktAcc=	8.75	9.54	Qtr	Call
ard North-Central PLC				
urton St, W1A 3DN			01-493 3434	
ce Dep	9.0	9.3	Rate	14-day
re & Prosper				
estern Rd, Ramford Rd1 3Ld				
Highint=	6.34	8.70	500x	8898
			Daily	Col

and Acc^{ts} 8.75 - 8.85 - Qtr
 ay Acc^{ts} 8.75 - 8.85 - Qtr
 Henry Schroder Wagg and Co L

Cheapest: London EC2V 6BH Tel: 071 4724
 41 Dep: £ 35- £ 50. Amp: 7day
 DTE: "Chester" book: facility avail-
 Interest is calculated on the basic
 nominal rate for a 6-mn period.
 will not be commensurate between funds
 accounts & the private bank's
 cost: costs depend on the interest
 rate (LBR) in consensus.
 up. It will only represent the amount
 fully earned in a year if interest rates
 unchanged. *Notice periods relate to
 city-free minimal. In some cases earlier
 not

1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 26

[illegible]

OFFSHORE AND

[illegible]

[illegible][illegible]

Mar.	Sept.	Free State Dev. 50c	625
Jan.	Dec.	F.S. Geduld 50c	E26½

[illegible]

1	Net 90% B4/G9	209	...	Undare	50
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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases in thin trade

BY COLIN MILLHAM

The dollar weakened in very quiet pre-Christmas trading last week. Major traders were almost totally absent from the foreign exchange, and market volume was probably little more than 10 per cent of normal levels. Thin markets often distort trading patterns, but the general movement of the dollar was in line with U.S. economic news.

The Federal Open Market Committee met at the beginning of the week, and although details of the meeting will not be made public for some time, it was feared that inflationary pressure from fast economic recovery would encourage the FOMC to adopt a firmer monetary stance.

This produced a firm dollar on Monday, but thereafter economic statistics and forecasts created a confusing picture on the dollar. The Administration in Washington was at pains to give an encouraging view as possible, with Mr. Donald Regan, U.S. Treasury Secretary, saying that moderating economic growth and low inflation seem to point towards lower interest rates.

But probably the most significant event of the week was the Government's "flash" estimate of 4.5 per cent growth in U.S. Gross National Product for the fourth quarter, compared with 4.1 per cent in the third, in the region of 6 per cent.

Dealers pointed out that many "flash" estimates have been revised upwards in the past, but there is little doubt that this much-lower-than-expected figure, and the implication of less inflationary pressure, than feared, was a major factor behind the dollar's decline.

A rise of 4 per cent in November U.S. durable goods, against expectations of an increase of about 1 per cent, tended to con-

flict with the GNP forecast, but was considered a less important figure. Another factor helping moderate any weakness of the dollar was the \$15bn Treasury mini-refunding package, which is likely to prevent any significant softening of interest rates in the near term.

£ in New York

	Dec. 25	Previous
Spot	1.4330-1.4350	1.4310-1.4320
1 month	0.14-0.16	0.14-0.16
3 months	0.32-0.34	0.31-0.34
12 months	0.98-1.03	0.96-1.01

£ forward rates are quoted in U.S. cents discount.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 months	6 months	12 months
Dollar	1.4330	1.4345	1.4350	1.4360	1.4370
D-Mark	3.96	3.94	3.94	3.94	3.94
French Franc	12.0850	12.1225	12.2150	12.3575	12.6039
Swiss Franc	1.4450	1.4325	1.4325	1.4325	1.4325
Japanese Yen	335	334.4	332.9	330.2	325.0

BANK OF ENGLAND TREASURY BILL TENDER

	Dec. 25	Dec. 16	Dec. 23	Dec. 16
Bills on offer	£100m	£100m	Top accepted	8.8643%
Total of applications	£546 m	£232 m	Average yield	8.9244%
Total allocated	£100m	£100m	Rate of discount	8.8613%
Minimum bid	£97.75	£97.75	Amount on offer	9.06%
Amount at minimum level	69%	6%	at next tender	£100m

THE DOLLAR SPOT AND FORWARD

	Dec. 25	Dec. 16	Dec. 23	Dec. 16
U.S.	1.4330-1.4350	1.4320-1.4340	1.4330-1.4350	1.4320-1.4340
Canada	1.7500-1.7520	1.7500-1.7520	1.7500-1.7520	1.7500-1.7520
Netherlands	4.424-4.426	4.424-4.426	4.424-4.426	4.424-4.426
Belgium	80.20-81.00	80.20-81.00	80.20-81.00	80.20-81.00
Denmark	12.20-12.22	12.20-12.22	12.20-12.22	12.20-12.22
Ireland	1.2710-1.2730	1.2710-1.2730	1.2710-1.2730	1.2710-1.2730
Spain	165.20-165.40	165.20-165.40	165.20-165.40	165.20-165.40
Portugal	200.00-200.20	200.00-200.20	200.00-200.20	200.00-200.20
France	11.10-11.12	11.10-11.12	11.10-11.12	11.10-11.12
Italy	11.10-11.12	11.10-11.12	11.10-11.12	11.10-11.12
Sweden	11.10-11.12	11.10-11.12	11.10-11.12	11.10-11.12
Switzerland	1.4330-1.4350	1.4320-1.4340	1.4330-1.4350	1.4320-1.4340
Australia	1.4330-1.4350	1.4320-1.4340	1.4330-1.4350	1.4320-1.4340
South Africa	1.4330-1.4350	1.4320-1.4340	1.4330-1.4350	1.4320-1.4340
U.A.E. Dirham	1.4330-1.4350	1.4320-1.4340	1.4330-1.4350	1.4320-1.4340

Belgian rate for convertible francs. Financial franc 81.80-81.90. Six-month forward dollar 0.50-0.55c. 12-month 0.55-0.60c.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	% change	% change	Divergence
Belgian Franc	44.9008	-0.0137	+2.48	-1.5447
Dutch Guilder	8.14104	1.9532	+0.35	-2.16425
German Mark	1.75000	1.7500	+0.72	-1.0682
French Franc	6.55958	1.90257	+0.41	-0.38664
Irish Punt	2.52558	2.5256	+0.80	-0.18
Italian Lira	9.369	1369.18	+0.33	-0.35
			-2.44	-2.44

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

THE POUND SPOT AND FORWARD

	Dec. 25	Dec. 16	Dec. 23	Dec. 16
U.S.	1.4330-1.4350	1.4320-1.4340	1.4330-1.4350	1.4320-1.4340
Canada	1.7500-1.7520	1.7500-1.7520	1.7500-1.7520	1.7500-1.7520
Netherlands	4.424-4.426	4.424-4.426	4.424-4.426	4.424-4.426
Belgium	80.20-81.00	80.20-81.00	80.20-81.00	80.20-81.00
Denmark	12.20-12.22	12.20-12.22	12.20-12.22	12.20-12.22
Ireland	1.2710-1.2730	1.2710-1.2730	1.2710-1.2730	1.2710-1.2730
Spain	165.20-165.40	165.20-165.40	165.20-165.40	165.20-165.40
Portugal	200.00-200.20	200.00-200.20	200.00-200.20	200.00-200.20
France	11.10-11.12	11.10-11.12	11.10-11.12	11.10-11.12
Italy	11.10-11.12	11.10-11.12	11.10-11.12	11.10-11.12
Sweden	11.10-11.12	11.10-11.12	11.10-11.12	11.10-11.12
Switzerland	1.4330-1.4350	1.4320-1.4340	1.4330-1.4350	1.4320-1.4340
Australia	1.4330-1.4350	1.4320-1.4340	1.4330-1.4350	1.4320-1.4340
South Africa	1.4330-1.4350	1.4320-1.4340	1.4330-1.4350	1.4320-1.4340
U.A.E. Dirham	1.4330-1.4350	1.4320-1.4340	1.4330-1.4350	1.4320-1.4340

Belgian rate for convertible francs. Financial franc 81.80-81.90. Six-month forward dollar 0.50-0.55c. 12-month 0.55-0.60c.

OTHER CURRENCIES

	Dec. 25	Dec. 16	Dec. 23	Dec. 16
Argentina Peso	31.80-31.90	22.66-22.66	27.75-28.05	27.75-28.05
Australia Dollar	1.4330-1.4350	1.4320-1.4340	1.4330-1.4350	1.4320-1.4340
Brazil Cruzeiro	1.500-1.500	1.500-1.500	1.500-1.500	1.500-1.500
Finland Markka	1.350-1.350	1.350-1.350	1.350-1.350	1.350-1.350
Greek Drachma	141.90-142.50	95.75-95.75	95.75-95.75	95.75-95.75
Hong Kong Dollar	7.80-7.80	7.80-7.80	7.80-7.80	7.80-7.80
Indian Rupee	125.75-125.75	88.50-88.50	88.50-88.50	88.50-88.50
Israeli Sheqel	1.4330-1.4350	1.4320-1.4340	1.4330-1.4350	1.4320-1.4340
Kuwait Dinar	0.4185-0.4185	0.2955-0.2955	0.2955-0.2955	0.2955-0.2955
Luxembourg Fr.	80.50-80.70	80.50-80.70	80.50-80.70	80.50-80.70
Malaysia Dollar	3.3350-3.3350	3.3350-3.3350	3.3350-3.3350	3.3350-3.3350
New Zealand Dollar	1.200-1.200	1.200-1.200	1.200-1.200	1.200-1.200
Saudi Arab. Riyal	4.9740-4.9740	4.9740-4.9740	4.9740-4.9740	4.9740-4.9740
Singapore Dollar	3.0350-3.0350	3.0350-3.0350	3.0350-3.0350	3.0350-3.0350
South African Rand	1.4330-1.4350	1.4320-1.4340	1.4330-1.4350	1.4320-1.4340
U.A.E. Dirham	1.4330-1.4350	1.4320-1.4340	1.4330-1.4350	1.4320-1.4340

* Selling rates.

EXCHANGE CROSS RATES

	Dec. 25	Dec. 16	Dec. 23	Dec. 16
Pound Sterling	1.4330-1.4350	1.4320-1.4340	1.4330-1.4350	1.4320-1.4340
U.S. Dollar	1.4330-1.4350	1.4320-1.4340	1.4330-1.4350	1.4320-1.4340
Deutsche Mark	3.96	3.94	3.94	3.94
Japanese Yen	335	334.4	332.9	330.2
French Franc	12.0850	12.1225	12.2150	12.3575
Swiss Franc	1.4450	1.4325	1.4325	1.4325
Dutch Guilder	8.14104	1.9532	+0.35	-2.16425
Italian Lira	9.369	1369.18	+0.33	-0.35
Canadian Dollar	0.561	0.561	0.561	0.561
Belgian Franc	1.4330-1.4350	1.4320-1.4340	1.4330-1.4350	1.4320-1.4340

EURO-CURRENCY INTEREST RATES (Market closing rates)

	Dec. 25	Dec. 16	Dec. 23	Dec. 16
Short term	8.9%	8.9%	8.9%	8.9%
3 months	9.9%	9.9%	9.9%	9.9%
6 months	10.9%	10.9%	10.9%	10.9%
One Year	11.9%	11.9%	11.9%	11.9%

Asian 5 (closing rates in Singapore). Short-term — per cent; seven days 11.5-11.75 per cent; one month 10.5-10.75 per cent; three months 10.5-10.75 per cent; six months 10.5-10.75 per cent; one year 10.5-10.75 per cent. Long-term Eurodollars two years 11.5-11.75 per cent; three years 11.5-11.75 per cent; four years 12.5-12.75 per cent; five years 12.5-12.75 per cent nominal closing rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Confidence improves in London

Interest rates declined on the London money market last week as a result of the better performance by sterling on the foreign exchanges. The movement was more noticeable at the longer end, where 12-month money fell below 10 per cent again, a drop of over 1 per cent, while three-month funds eased by about 1 per cent.

The pound showed little change against most major currencies, but the market has been more concerned about sterling's fall to record lows against the dollar, and this was where the pound showed the greatest improvement last week.

A general weakening of the dollar coincided with some better news for the U.S. economy. The November trade

of 1983 of £13bn, more than twice the Treasury forecast for the whole year.

Non-oil exports have been rising steadily recently, but the markets are still well aware of the importance of North Sea oil revenues, and this was another factor supporting the pound last week, following reports that major oil companies are prepared to support unchanged

North Sea prices in the first quarter of 1984.

These factors created more confident conditions in London, while the day-to-day credit position was rather variable, but caused no major problems for the Bank of England.

In New York, Federal funds were firm at around 9 1/2 per cent at the beginning of the week, but later eased back to

around 9 1/4 to 9 1/2 per cent, following several days of intervention by the Federal Reserve, adding reserves to the New York banking system.

In Europe, Frankfurt rates were little changed, but Paris rates were slightly easier. The Bank of France added FF 15bn in market liquidity on Tuesday by buying bills at an unchanged rate of 12 per cent.

MONEY RATES

	Dec. 25	Dec. 16	Dec. 23	Dec. 16
Overnight	8.9%	8.9%	8.9%	8.9%
3 months	9.9%	9.9%	9.9%	9.9%
6 months	10.9%	10.9%	10.9%	10.9%
One Year	11.9%	11.9%	11.9%	11.9%

LONDON MONEY RATES

	Dec. 25	Dec. 16	Dec. 23	Dec. 16
Overnight	8.9%	8.9%	8.9%	8.9%
3 months	9.9%	9.9%	9.9%	9.9%
6 months	10.9%	10.9%	10.9%	10.9%
One Year	11.9%	11.9%	11.9%	11.9%

Discount Houses Deposit and Bill Rates

	Dec. 25	Dec. 16	Dec. 23	Dec. 16
Overnight	8.9%	8.9%	8.9%	8.9%
3 months	9.9%	9.9%	9.9%	9.9%
6 months	10.9%	10.9%	10.9%	10.9%
One Year	11.9%	11.9%	11.9%	11.9%

FT LONDON INTERBANK FIXING

	Dec. 25	Dec. 16	Dec. 23	Dec. 16
Overnight	8.9%	8.9%	8.9%	8.9%
3 months	9.9%	9.9%	9.9%	9.9%
6 months	10.9%	10.9%	10.9%	10.9%
One Year	11.9%	11.9%	11.9%	11.9%

LONDON INTERBANK FIXING

	Dec. 25	Dec. 16	Dec. 23	Dec. 16
Overnight	8.9%	8.9%	8.9%	8.9%
3 months	9.9%	9.9%	9.9%	9.9%
6 months	10.9%	10.9%	10.9%	10.9%
One Year	11.9%	11.9%	11.9%	11.9%

The fixing rates are the arithmetic means, rounded to the nearest one-tenth, of the bid and offered rates for 50m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Paribas and Paris and Morgan Guaranty Trust.

MONEY RATES

	Dec. 25	Dec. 16	Dec. 23	Dec. 16
Overnight	8.9%	8.9%	8.9%	8.9%
3 months	9.9%	9.9%	9.9%	9.9%
6 months	10.9%	10.9%	10.9%	10.9%
One Year	11.9%	11.9%	11.9%	11.9%

NEW YORK (Lunchtime)

	Dec. 25	Dec. 16	Dec. 23	Dec. 16
Overnight	8.9%	8.9%	8.9%	8.9%
3 months	9.9%	9.9%	9.9%	9.9%
6 months	10.9%	10.9%	10.9%	10.9%
One Year	11.9%	11.9%	11.9%	11.9%

FINANCIAL FUTURES

In the table below the London International Financial Futures Exchange prices are for December 23. Prices quoted for Chicago are as of December 27.

LONDON

	Dec. 25	Dec. 16	Dec. 23	Dec. 16
Overnight	8.9%	8.9%	8.9%	8.9%
3 months	9.9%	9.9%	9.9%	9.9%
6 months	10.9%	10.9%	10.9%	10.9%
One Year	11.9%	11.9%	11.9%	11.9%

CHICAGO

	Dec. 25	Dec. 16	Dec. 23	Dec. 16
Overnight	8.9%	8.9%	8.9%	8.9%
3 months	9.9%	9.9%	9.9%	9.9%
6 months	10.9%	10.9%	10.9%	10.9%
One Year	11.9%	11.9%	11.9%	11.9%

U.S. TREASURY BILLS (MM) \$1m

	Dec. 25	Dec. 16	Dec. 23	Dec. 16
Overnight	8.9%	8.9%	8.9%	8.9%
3 months	9.9%	9.9%	9.9%	9.9%
6 months	10.9%	10.9%	10.9%	10.9%
One Year	11.9%	11.9%	11.9%	11.9%

U.S. TREASURY BILLS (MM) \$1m

Dec	108-11	—	—	107-27	June	88.6
Volume	677 (1,552)				Sept	—
Previous day's open int	—	(3 348)			Dec	—
Basic quote (clean cash price)					March	Sept
13% Treasury 2003 less equivalent					Sept	77.6
price of March contract	36 to 62					
(32nds)					THREE-MONTH	
STERLING £25,000 \$ per £					\$1m points c	
	Close	High	Low	Prior	Latest	
March	1.4320	—	—	1.4288	March	89.5
June	1.4337	—	—	1.4315	June	89.2
Sept	1.4367	—	—	1.4345	Sept	88.9